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# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2336



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# EAST EUROPE REPORT

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## INTERNATIONAL AFFAIRS

### TRENDS IN CEMA ECONOMIC INTEGRATION OUTLINED

Cottbus LAUSITZER RUNDSCHAU in German 12, 17 Aug 82

[Serialized article by Dr Hans Kohde, economist, lecturer, Cottbus College of Engineering, Institute for Marxism-Leninism]

[12 Aug 82 p 4]

[Text] Where Do We Stand in the Process of Socialist Economic Integration?

A good ten years have passed since the adoption of the comprehensive program for further deepening and perfecting the cooperation and development of socialist economic integration among the CEMA member countries.

#### The Test and Approbation of the First Decade

The road taken by the CEMA member countries to still closer international cooperation has stood up well in practice. The following main results are in evidence:

1. Socialist economic integration has become increasingly important for each CEMA country and greatly contributed to the high production growth rates in the 1970's.
2. Most of the reciprocal economic relations are firm contractually arranged contacts in a division of labor and irreversible, which are proven stable also for the 1980's.
3. CEMA division of labor went still much faster than the development of production growth. The proportion of specialized products rose from circa 1 percent in 1970 to more than 30 percent in 1980, and the import-export turnover grew almost three times as fast as production did in CEMA.
4. In some CEMA countries--the GDR included--more than 40 percent of the national income already comes out of foreign trade.
5. In particular, all fraternal countries' cooperation with the USSR was deepened according to plan as a key issue of socialist economic integration. The USSR is the GDR's largest foreign trade partner, carrying a share of

nearly 40 percent of its foreign trade. This involves such vital imports of important energy sources, raw materials and fuels as well as a significantly greater scientific-technical and production cooperation.

6. Already the course taken by means of the long-term target programs has proven correct. Great efforts were made to implement step by step the target program on securing the CEMA countries' energy, raw material and fuel base. Embedded in it are, among other things, such great joint investment projects as the already producing cellulose combine in Ust-Ilimsk and the asbestos combine in Kijembai.

7. The rapprochement and alignment of the economic development levels in the European CEMA countries was so successful in the 1970's that qualitative disproportions among those countries no longer exist. Economic disproportions continued, of course, mainly in labor productivity and per capita industrial production, which will continue to be reduced with determination.

#### Vivid Integration in Our Bezirk

This successful socialist economic integration process also pervades our Cottbus Bezirk and activates our whole economic life every day. Many economic installations and production processes, especially in our territory, would be inconceivable today without socialist economic integration.

Combines and enterprises such as the VEB Albert Zimmermann aluminum works, Lauta, the Schwarze Pumpe gas combine, the Boxberg and Jaenschwalde power plants, BFG Lauchhammer, and the VEB Lausitzer Glas Combine, Weisswasser are intimately tied up with socialist economic integration. Most of them and many others--it may be said with every good reason--are direct "products of socialist economic integration." What keeps always again sticking out is the very close bond and interlinkage with the USSR economy.

[17 Aug 82 p 4]

[Text] The Heart of the Matter Continues To Be Cooperation With the USSR--  
Reflections on Problems of Socialist Economic Integration

The friendship and cooperation with the Soviet Union, as was reiterated at the Crimean meeting between Leonid Brezhnev and Erich Honecker, is and remains a reliable guarantee for further successes in socialist construction, the proven centerpiece of socialist economic integration. Thus it is practically being felt in all of our bezirk's important integration projects. Some examples will speak for themselves:

--At the VEB power plant Jaenschwalde, the first 500-megawatt bloc was put into permanent operation on 5 October 1981; others are coming. The USSR delivered turbines, generators, electrical and turbo pumps, and furthermore, Soviet specialists were among those who helped in the assembly and in starting the operations of the chief aggregates in the turbine hall.

--Based on the USSR-GDR agreement signed in December 1979 on the development, production and mutual deliveries of synthetic diamonds and other superhard working materials, the labor productivity in manually decorating highly refined lead crystal products is increased between 25 and 35 percent through the use of new tools in the VEB Lausitzer Glas Combine, Weisswasser, and working conditions are being improved through reducing the noise level.

--Based on a long-term trade agreement with the Soviet Union, signed in 1965, the Boxberg power plant, the up to then largest thermoelectric plant in Europe on a brown coal base, was built. The technical project was finished by its 1967 deadline, and already in 1971 the first power plant bloc went into test operation. Early in 1973 the first construction phase was finished with 1,260 megawatt of electrical energy. Meanwhile operations are in full swing; we could not possibly do any longer without Boxberg for our energy requirements.

--Equally strongly is the Schwarze Pumpe combine, an important part mainly of the GDR's energy industry and, with it, of the development of a streamlined energy base of the CEMA countries, anchored within socialist economic integration.

--The close cooperation in refining raw brown coal with a high degree of economy, which was confirmed by a conference within the framework of the parity government commission for economic and scientific-technical cooperation between the GDR and the USSR, and was further extended in terms of its own requirements, is of great importance to both countries. That agreement envisages the joint development of new technologies and equipment for the gasification and chemical processing of brown coal with the aim of using the deposits of both countries more intensively and the resources more effectively.

The list could be continued. The responsibility of the combines as the basic economic units in material production and the modern management form, particularly for the process of socialist economic integration, is rising.

#### Major Future Tasks

The 36th CEMA conference in Budapest, 3 to 10 June, confirmed the successful development and did confirm it also for 1981. On that, the communique states: "With above-average speed production rose in those branches that determine the scientific-technical progress, mainly in machine building, electronics, the energy industry and chemistry. Industrial production rose mainly because of increased labor productivity."

The point also was made that it was necessary to merge more closely still. "We mean a cohesion that ensures firm and equal economic relations as an answer to attempts at engaging in discrimination and imposition."

Closer economic cooperation, as it was focused on at the Crimean meeting especially with regard to science and technology and modern technologies, is of course not only conditioned by external causes but mainly also by an acceleration of intensively expanded reproduction in the national economies of the CEMA countries.

To that end, we particularly have to push plan coordination within the whole framework of the CEMA community; cooperation for the development and application of microprocessing technology must be pushed all the way to the development and specialized production of industrial robots; the multilateral international production specialization and cooperation must be intensified; mutual deliveries of equipment for nuclear power plants must continue to be purposefully realized in accordance with basic agreements; and with the purpose of faster and more effective development of Vietnam, Cuba and Mongolia, preferential conditions for those CEMA countries shall continue to be used in our cooperation.

All these and other detailed measures contribute to the continued stability and capability of the CEMA countries on a permanent basis by means of socialist economic integration.

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GERMAN DEMOCRATIC REPUBLIC

MITTAG, SCHUERER CALL FOR CREATIVITY WITHIN PLANNED ECONOMY

West German Commentary

Bonn IWE-TAGESDIENST in German No 134, 4 Sep 82 p 2

[Report from Berlin: "No 'Dismantling' of 'Socialist Planned Economy.'" Translations of the two East Berlin EINHEIT articles by Guenter Mittag and Gerhard Schuerer, respectively, cited below, follow this commentary]

[Text] Two leading East Berlin economic functionaries now have explicitly asserted there will be no "dismantling" of the "socialist planned economy" in the GDR. In the theoretical party journal EINHEIT (No 9, 1982), Guenter Mittag, SED Politburo member and Central Committee secretary for economic affairs, emphatically turned back all western attacks on the "socialist planned economy." "Applied on firm principle and properly embedded in the scientific management of all social development by the party on the basis of Marxism-Leninism," it became the decisive factor for a "soaring, crisis-free economic development." Mittag admitted the planned economy had to cope "with difficulties and obstacles," yet economic progress was not a "smooth course." The SED had "drawn the necessary inferences for the further perfecting of the socialist planned economy in terms of strengthening it." Planning chief Schuerer made the point this did not amount "to any sort of spectacular changes but to extending further" what had proven itself, i.e., "measures that speed up scientific-technical progress, ensure the most rational use of resources, and enhance the quality and efficiency of labor." Special attention should also be given to a higher level of balancing.

Mittag: Abandon Old Habits

East Berlin EINHEIT in German Vol 37 No 9, Sep 82 (signed to press 11 Aug 82) pp 873-884

['Theory and Practice of Our Socialist Planned Economy' feature article by Guenter Mittag, SED Politburo member and Central Committee secretary for economic affairs: "The Economic Strategy of Our Party--Expression of Dynamic Development of the Socialist Planned Economy"]

[Text] At the fourth SED Central Committee session, Comrade Erich Honecker, secretary general of the Central Committee, in his concluding speech offered a basic analysis of the current requirements for the continued implementation

of the 10th party congress resolutions. From that analysis, which has to be looked at in close connection with the resolutions of the third Central Committee session and the Central Committee secretariat conference with the kreis first secretaries, he derived the crucial tasks for the continued implementation of our party's economic strategy for the 1980's.

It once again expresses how scientific and relevant our party policy is. It was correct, the point was made, to react aggressively to the unfortunate changes in the foreign economy conditions by attempting higher achievements, higher labor productivity. Based on results achieved, new economic reserves were found for our extensively expanded reproduction which, by being totally exhausted, makes possible further to implement the main task in its unity of economic and social policy.

That at once offered important statements on the advantages of the socialist planned economy as they determine the development of the economy. This socialist planned economy, relying on Marxist-Leninist principles, makes possible assigning great economic goals and achieving them resolutely. It can react flexibly to new conditions and is a worthy instrument in a situation of intensified class struggle.

The successful development of the planned economy, like the development of socialism in our republic altogether, deeply connects with the constant deepening of cooperation between the CPSU and the SED, the USSR and the GDR, in all directions of their mutual relations. That alliance forms the reliable guarantee for the successful implementation of the tasks in the continued shaping of the developed socialist society in the GDR, issued by the 10th SED Congress.

Through the Crimean meeting this year between Leonid Brezhnev, secretary general of the CPSU Central Committee and chairman of the presidium of the Supreme Soviet, and Erich Honecker, secretary general of the SED Central Committee and chairman of the GDR State Council, the strongest impulses were lent the further development of the unshakeable fraternal alliance between the Soviet Union and the GDR.

The results of that very important meeting found our party's full agreement. They serve both the strengthening of socialism and of peace. The firm friendship between the Soviet Union and the GDR, it was found, works as an influential factor for political stability on the entire European continent. That is especially important in a situation where the most aggressive imperialist forces, relying on a policy of strength, are unleashing a "crusade" against the socialist community. The belligerent course of the U.S. administration in particular raises acute dangers for world peace. That includes economic warfare, already declared and practiced, against the socialist countries that also affects the West European countries and other capitalist industrial states. This involves a full political concept of trade sanctions, a destruction of treaty relations and a refusal of constructive dialogue.

At such a time, the close and fraternal economic and scientific cooperation between the GDR and the USSR reveals itself as the fundamental element in the



successful development of our republic. Its development is marked by the economic cooperation between the GDR and the USSR. It progresses year after year and has, in quantity and quality, reached an unsurpassed level in international trade relations. It is of reciprocal advantage and benefit. It is a safe foundation for the successful development of our planned economy, is indeed a vital part of it.

Proceeding from these positions of principle, our party directs its full attention to the purposeful implementation of the GDR-USSR production specialization and cooperation program.

This significant observation was made during the Crimean meeting: "Economic cooperation between the two countries develops reliably. Production specialization and cooperation efforts have perceptibly advanced in such areas as micro-electronics, robot construction and chemistry. In years ahead the USSR and the GDR together with other interested socialist countries intend to make still greater efforts in science and technology development and in introducing modern technologies in industrial and agricultural production."\*

All this is in full harmony with our party's economic strategy for the 1980's and its basic concern greatly to improve production efficiency by means of the latest achievements in science and technology.

In line with the position taken by the SED Central Committee Politburo and the GDR Council of Ministers on the Crimean meeting between Leonid Brezhnev and Erich Honecker,\*\* what now matters is to draw everywhere the necessary inferences, in the sense of new creative achievements, to implement the domestic and foreign policy course as assigned by the 10th party congress.

#### Socialist Planned Economy--Essential Feature of Socialism

The advantages of the socialist planned economy are based on what amounts to socialism in the first place, its inevitable historic prospect and invincibility. They are based on the economic laws inherent in socialism which determine the policy for the good of the people as well as the proportionate economic development according to plan and its implementation.

The socialist planned economy is a completely new type of economic management in the history of mankind. It proceeds from truly overall social interests aimed at the good of the people and of each citizen. Its foundation lies in socialist property which is realized by means of the exercise of the workers' and farmers' power in accordance with the Leninist principle of democratic centralism. It is borne by the great initiative of the working masses through socialist competition organized by the trade unions.

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\*"Friendly Meeting Between Leonid Brezhnev and Erich Honecker," NEUES DEUTSCHLAND, 12 August 1982, p 1.

\*\*Cf. NEUES DEUTSCHLAND, 18 August 1982, p 1.

Every successful step toward further strengthening socialism, all experience demonstrates, is inseparably linked with the consolidation and perfection of the socialist planned economy. In the last 30 years, the socialist countries' share in world industrial output rose from 20 to more than 40 percent. This fact alone expresses to what extent the socialist planned economy has contributed and is contributing to a faster development of the productive forces in socialist countries than in capitalism. Here one always has to keep in mind that the socialist planned economy marks a radical break with all previous economic systems, especially with the capitalist exploiter society, the profit economy. The foundations for the socialist planned economy were first laid in the Soviet Union, were created--without any historic model--by the Bolshevik party under Lenin's leadership. From the hour of its birth the planned economy had to sustain a great number of all sorts of hostile attacks and prevail over them. This, as historic experience demonstrates, has been done and is being done with success.

The socialist planned economy is based on the insights of scientific communism, the great ideas of Marx, Engels and Lenin, which in principle contain the blueprint for creating this new economic system. Proceeding from there, the working class party is called upon always to do what is necessary to shape the socialist planned economy under any given concrete historic conditions. Each concrete step taken had and has to be checked and reinforced by experience. Virgin territory always had to be entered, and that also applies in every sense to the current era because the tremendous development of the productive forces, the rapidly growing economic potential, the deepening socialist economic integration and developments in the international situation always keep posing new tasks and require appropriate solutions. As a living organism marked by growing strength and steady perfection, and found in total conformity with the inevitabilities of historic development, the socialist planned economy's prospects range into the far distant future.

The socialist planned economy proceeds along with the advances in all social development. It relies on the consolidation of the power of the workers class and its allies and on the constantly growing leadership role of the working class party. It is borne by the scientific nature of party policy. With it, it is itself a decisive instrument for making this scientific policy possible because the planning of social development is a fundamental method for consciously shaping and controlling large social processes, especially in the economic field. It only makes possible a comprehensive economic and social policy both existing in unity. The great results achieved this way, as once again illuminated by the balance-sheet drawn up at our party's fourth Central Committee session, are also successes of the socialist planned economy under party leadership and supported by the people's initiative. Economic planning above all determines the continuity and dynamics of economic development. Applied on firm principle and properly embedded in the scientific management of all social development by the party on the basis of Marxism-Leninism, it becomes the decisive social factor for a soaring, crisis-free economic development.

In 1950, the GDR's national income came to M 29.3 billion, in 1981, to M 196 billion. In 1950, basic economic assets had a value of M 268.6 billion, in



1981, one of M 748.3 billion. The proportion of socialist property in industrial output came to 76.5 percent in 1950, but to 100 percent since 1981.

This altogether soaring development certainly does not mean the socialist planned economy does not have to cope with difficulties and obstacles. On the contrary, economic progress always means combative confrontation; it knows no smooth course. The great advantage of the planned economy, however, is that it offers the possibility to conduct this necessary confrontation in the most efficient manner that benefits man and that it is itself in essence always perfectible. As the tremendous advance thus far in the development of the productive forces became possible through the socialist planned economy, the result achieved itself constitutes a qualitatively new basis for a higher level development of its advantages. The socialist planned economy developed in the GDR at a time when, quantitatively as well as qualitatively, revolutionary changes occurred in the productive forces, science assumed a new role in economic and overall social development, and the close economic linkage with the Soviet Union and with the other CEMA countries had assumed new dimensions quantitatively and, especially also, qualitatively.

Import-export between the GDR and the Soviet Union came to a value of M 1.5 billion in 1950 but to M 49.9 billion in 1981. Approximately 38 percent of the GDR's import-export is transacted with the Soviet Union. This foreign trade is marked by mutual deliveries of an increasing proportion of high-grade quality products meeting scientific and technical world top standards. For the GDR it is of the greatest importance in this connection that, relying on agreements and contracts concluded, it can ensure the supplies of basic raw materials from the USSR. It cannot highly enough be appreciated that on the average in recent years the prices for petroleum products and other raw materials from the USSR lay between 40 and 50 percent below those on the capitalist world market.

In conformity with internal and external developmental conditions of the GDR in the 1980's, our party, on behalf of the further consolidation of socialism in our country and the further deepening of the close scientific-technical and economic cooperation with the USSR and the other CEMA countries, has worked out its economic strategy for the 1980's and is purposefully implementing it by means of the socialist planned economy. By its resolutions on this strategy, the 10th party congress has made a clear decision on further continuing the main task.

Under the conditions of the 1980's, great efforts are needed to ensure these goals in production growth and the people's prosperity. This gives us the task to take another step in combining the advantages of socialism with the achievements of the scientific-technical revolution so as to ensure the necessary lead for our intensively expanded reproduction of the future. This gives us the crucial preconditions for achieving a much higher level of labor productivity at a broad range. Our strategy takes the changed economic conditions into account, from which it derives the need to make a much better economic use of raw materials and fuels and work more efficiently with our basic assets. Closely connected with that is the effort about high product quality. All in all, what matters is greatly to improve labor efficiency and use precisely

the latest science and technology accomplishments for that purpose. That above all establishes our full turn toward intensively expanded reproduction.\* It means achieving a saving of working hours, yet not by greater investment outlays, and a more economic use of material, but not at the expense of quality. Rather, the total economic result always is to be gaged in relation to the total expenditure of resources. In this sense our economic strategy orients us to extensive socialist rationalization whereby it determines the points of departure and new criteria for our investment policy. At the same time our economic strategy aims at producing vastly more and better consumer goods; and the point has to be made that consumer goods production is the concern of our entire economy. All that calls for high dynamics for the social production and the national income. That is why our economic strategy for the 1980's is resolutely oriented to an intensively expanded reproduction.

Particularly in connection with new steps toward our intensively expanded reproduction, as set down through the economic strategy, and also in view of the intensified international class conflict caused by the stiffer confrontation course of U.S. imperialism, our party has drawn the necessary inferences for further perfecting the socialist planned economy in the sense of strengthening it. The planned economy has proven a crucial factor for social development. Especially because that is so, it is not accidental that the class enemy in his frenetic attacks on the socialist social order makes so much altogether of the planned economy. Those attacks range from blunt denigration of the socialist planned economy all the way to demands to abolish it.

These attacks against the socialist planned economy, emanating from domains west of our borders, are the more remarkable and dubious because the industrially developed capitalist countries show mostly very low growth rates for their national income all the way to stagnation and recession. At the same time, unemployment figures, approximately 30 million, in the OECD countries have reached a threatening size, and the prospects are that the number of unemployed is going to rise instead of drop. Experts in those countries expect more than 31 million in 1983, more than 17 million of them in Western Europe alone. The collapse of firms, bankruptcies that is, is on the increase, in U.S. industry and commerce, e.g., from 6,619 in 1970 to 17,043 last year, thereby having reached a crisis-like record stage.

Altogether, all this talk about the so-called free market economy which purportedly prevails in the capitalist countries appears rather antiquated. If that still would have to be proven, it is done so by the U.S. government that shrinks from nothing. The trade and economic warfare it has unleashed by administrative measures and in violation of the sovereignty of other states--even its own allies--speaks volumes.

What Lenin wrote 70 years ago is confirmed all the more today, that when monopolies arose, free competition was finished. "Economically fundamental in this process," he remarked, "is the replacement of capitalist free competition by the capitalist monopolies. Free competition is the basic trait of capitalism and commodity production as such; monopoly is diametrically opposed to free competition."\*\*

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\*Cf. Comrade Erich Honecker, "Aus dem Bericht des Politburos an die 3. Tagung des ZK der SED" (From the Politburo Report to the Third SED Central Committee Session), Dietz publishing house, Berlin, 1981, pp 20 ff.

\*\*V. I. Lenin, "Imperialism the Highest Stage of Capitalism," "Werke" (Works),

So it is also a matter of misrepresenting the true state of affairs by bourgeois apologists when they contrast the socialist planned economy with an allegedly still existing "free market economy." The true opposite of the socialist planned economy is the capitalist economy in its imperialist stage under the dictates of the monopolies' profit interests. And that those monopolies, on behalf of maximum profits, shrink from nothing, seek to destroy any competitor and carry out their policy with blood, terror and violence, and with contempt for the sovereignty of other states, once again is demonstrated most clearly at the present time.

As imperialism stands for exploitation, profit and war, socialism, firmly relying on the planned economy, stands for production that truly serves the people and for the safeguarding of peace.

#### Planned Controls Over the Intensively Expanded Reproduction

In implementation of the economic strategy for the 1980's, as assigned by the 10th party congress, the GDR's socialist planned economy is resolutely aimed at intensively expanded reproduction. New requirements and higher measures apply to it now. That was brought out clearly in the concluding speech at the fourth session by Comrade Erich Honecker, secretary general of the SED Central Committee. Summarized, these new criteria for an intensively expanded reproduction consist in that

- the rate of labor productivity increase must be approximated to the rate of development in the scientific-technical potential, which will increase the growth of the national income still more;
- labor productivity must grow faster than basic assets allocation;
- the speed of production consumption must further drop in relation to the development of the national income so that an increasingly larger part of national income growth is due to the reduced production consumption; and
- enhanced refinement, through a complete utilization of the available high-grade potential, has still more of an economic effect on national income growth.\*

Many factors affect our intensively expanded reproduction. They relate to the cutback in working hours as to improving quality products, to the saving of material and energy and the better utilization of the basic assets, to cost reduction, supply reductions, and high yields from our output, especially on foreign markets. Each factor contributes to our intensification. Yet if we manage to apply not only one or another factor to our intensively expanded reproduction but use them in their entirety, the total effect on national income growth can be greater than the sum of the computed effects of the individual factors. In other words, it is important that the intensification effect due to the cutback in working hours or the saving of material will come about, e.g., not at the expense of higher outlays for basic assets, but that asset expenditure is cut back through better using what we have and adding to and converting technological processes--while labor productivity is increased and material is saved. All that is involved in our making the demand that the whole cycle of our intensively expanded reproduction be cohesively controlled through planning, management and economic cost accounting.

Vol 22, Dietz publishing house, Berlin, 1960, p 270.

\*Cf. "Aus dem Schlusswort des Genossen Erich Honecker, 4. Tagung des ZK der SED" (From Comrade Erich Honecker's Concluding Speech at the Fourth SED Central Committee Session), Dietz publishing house, Berlin, 1982, pp 92 ff.

The fourth Central Committee session presented the reserves for our intensively expanded reproduction from the economic vantage point. The crucial thing is to understand the connection between our intensively expanded reproduction and our national income growth and to apply this connection to all phases in our reproduction cycle. It means ensuring our growth from the internal sources of the cycle of intensively expanded reproduction by using more efficiently what we have.

Therein also lies the great economic responsibility and possibilities the combines have to tap new reserves more than they have done so far. Those are matters that do not mainly depend on material conditions and on resorting to extensive funds, but on the ability of management to bring optimum organization to the reproduction cycle overall.

It is essential that we start introducing new technologies. Undeniably, advances in boosting labor productivity or in reducing raw material consumption while improving qualities--as in the case of refining--can permanently only be accomplished if technologies are appropriately perfected. Introducing modern technologies plays a key role in intensification because these technologies materialize scientific-technical progress and the ideas of the innovators and inventors take effect in the everyday production process. More than ever we can see today that each crucial and permanent advance in boosting labor productivity, every saving of material and energy, and all the improvement in the cost/benefit ratio--including even the investments--all come through the introduction of highly efficient technologies. Highly efficient technologies are those that rely on the application of the latest science and technology data while they ensure the highest economy.

Things become more economical only if the perfection of technologies itself abides by the strictest intensification criteria. It means that we must above all pick up from the equipment already there and that introducing them must be combined with the modernization of production tools, that new procedures are introduced by means of already extant processes, that costly new structures are avoided, and that everything takes place fast enough. Being economical also is the decisive consideration for technologies; and the most perfect and expensive solution is not bound to be the best solution. If one carries this idea further, ultimately then it is the ideological position which, by way of intensification and the results to be achieved thereby, controls the consolidation of our republic. To get more out of what we have is a thought that controlled the thoughts and actions of many party organizations even while preparations for the 10th party congress were under way; it must take effect now at a much wider scope.

From that standpoint it is necessary and correct that the combines are engaged in such intensive efforts at greatly boosting their own construction of means of rationalization and that, above and beyond that, especially in this field the already existing close cooperation with the USSR is further deepened, to make new data still more effective. In the perfecting of technologies lies the essential point of departure for the higher efficiency and better quality of labor.



The fourth Central Committee session made much of aggressive reaction by which to ensure the conditions for carrying on the main task in our country as our intellectual and material possibilities allow. This has proven itself a strong productive force in the combines and enterprises in their creating through their own solutions new ways for ensuring their performance development. There are not a few cases where this also includes giving up old habits, and accomplishing the goals assigned in new ways while improving the cost/benefit ratio.

This mode of a party-minded and aggressive reaction to new requirements has, in connection with the implementation of the 1982 national economic plan, tapped reserves at an extent not yet fully conceivable while preparing the plan for last year. That, particularly, reveals the realistic nature of our socialist planned economy, which has nothing to do with the purported "rigidity of plans" of which our enemies so often make so much but has everything to do with the GDR working people's initiative and dedication to the strengthening of their socialist state.

There are good chances for further advances because the scientific-technical potential in our economy on the whole has reached a magnitude for making an essential higher contribution to labor productivity boosts through the correct requirements and a prudent management and organization of capacities. As it is, in 1981 the rate of growth in science and technology allocations was faster than the rate of growth in economic labor productivity, which suggests the possibility to make science and technology economically more effective.

It means not merely reducing the active role of science and technology to scientific-technical work and its direct results. Only when the planned contribution to labor productivity boosts, to reducing energy and material consumption and costs, and thus to an increase in the national income, is achieved can scientific-technical work be regarded as complete.

So we must always look at requirements, and at the management and organization of scientific-technical work, in connection with the intensively expanded reproduction cycle as a whole. Thus it is not enough simply to set down economic targets in the science and technology plans, but it must be made sure through management activity that they are attained and that planned results really occur. The planned cutbacks in working hours, material and costs for new products becomes economically effective only when those products are in fact produced, and this in such a way that they make up a significant portion of the combine's production profile. In the chief bookkeeper's cost accounting the truth is revealed in a summary fashion; and it is of great importance to carry out cost/benefit computations even in the smallest economic units. This vantage point makes visible that science and technology requirements as well as labor organization for achieving targets as rapidly as possible, and changes in the combines' production profile toward new saleable products for public consumption, the economy and export, with high-grade economic results, are part of the whole intensively expanded reproduction cycle.

Basic is and remains of course that the economic targets for science and technology are properly set down in the plan from the outset. This aspect of planning, by the way, marks prominently our turning all planning activity toward the qualitative growth factors, which also means a great enrichment of the whole substance of our socialist planned economy.

In these matters, as everywhere else, it is necessary to proceed resolutely from objective requirements. Especially science and technology criteria largely control future economics. So it is all the more important, in setting those measures, to start from the criteria for how they evolve internationally and conform with the GDR's future growth requirements. Where that is done properly, preconditions are at once established for highly economic future results. Even when targets are set down one can discern with how much determination the scientific and technical work is undertaken with the highest economical results in mind. Not what a person in his own subjective estimate may think he may be able to do, but an objectively possible technical and economic result geared to international standards must always be our yardstick. The history of technological science application has invariably shown that a clear and straightforward formulation of tasks was often the starting point for generating novel and unconventional solutions. Someone who picks up only the traditional stuff with which he happens to be familiar is not likely to arrive at penetrating and economically beneficial effects. Setting objective criteria with an ideological position is what starts at that point.

Thus, this is the most important: what is attainable in science and technology for new products and new technologies must govern the whole economy of the combine and make a real difference there. That also is the meaning of further improving economic cost accounting in connection with the work in science and technology.

High economic results for new products become fully effective only when those products also determine the production profile and all the work is done in such a way that one not only meets but surpasses the preassigned targets for increased labor productivity or for reducing material consumption and costs.

To that end, creativeness must be encouraged at all cost. The inventive spirit and the innovator movement must more strongly be encouraged. Together with the innovators, one should seek the best solutions. One should always concentrate on how new ideas can be suitably brought to realization, how they can best be used, and not on any proof why one thing or another can presumably not be done. The joint endeavor to strengthen the republic must always govern the atmosphere.

#### Coping With the Present and Future

Under the conditions of the tremendous development of the productive forces, the resolute transition to intensively expanded reproduction, and the rapidly changing requirements on the international markets, special importance attaches to organizing the structure of the socialist economy according to plan as objectively required proportions demand. No longer is it enough simply to follow the tracks of quantitative developmental trends in the various production branches; what mainly matters is to spot and observe those qualitative changes

that result above all from the tremendous development of the productive forces. At the fourth Central Committee session, Comrade Erich Honecker pointed out that future growth has to be determined by still faster changes in our economic structure, and that this structure must be determined more still by modern science and technology.

Already at the 10th party congress have the basic points of departure been determined for the development of the GDR's economic structure. They mainly consist of the need

- to develop the domestic raw material base in all its branches to a much larger extent than before,
- to develop the stages of refinement based thereon,
- to accelerate those branches that spread the scientific-technical progress through our entire economy, particularly microelectronics and robot technology,
- and to increase our own production of consumer goods for supplying the population.

All these basic trends are closely interwoven with the deepening of socialist economic integration, especially with the cooperation with the Soviet Union. If, in accordance with accords already made, the GDR contributes with energy to the further extension of this vital partnership, we do what it takes to keep solving our republic's important raw material supply problems. In close cooperation with our Soviet partners, we are coping with the elaboration and application of the latest technologies in selected fields. All that, of course, is inseparable from our developing the GDR's economic structure within the framework of socialist economic integration.

The fourth Central Committee session focused on tackling the problems of future GDR development right at this time. So we must purposefully start preparing through the development of new products and technologies the future changes in the production profile proceeding toward modern products and technological procedures. These considerations cannot be postponed till tomorrow; the needed tempo is not a thing we can pick and choose. Products and services of importance to export and to supplying the GDR citizens must be offered at good time. Even now, therefore, technologies must be converted, with circumspection and reason and with determination as well. That applies in particular to those preconditions that have to be created to use and apply domestic raw materials and fuels much more, including secondary raw materials. There are still large reserves here the use of which would be extremely effective in the GDR economy. And all these matters of changing our economic structure must be approached from the vantage point of our intensively expanded reproduction. Thus we are concerned with the kind of production in which through a reduced investment of specific material and, above all, through using fewer imports, a much higher economic effect becomes possible through refinement.

When our republic, under party leadership, purposefully confronts these newly ripening problems, it will become possible to take care of these objective and inevitable processes with great efficiency. It always pays off to attend to such processes in good time, prepare and make the necessary decisions expertly, and carry out the appropriate measures without delay. And the important point always is to get set for the production of new products and the introduction and conversion of new technologies by but a minimum of expenditures.

This way we shall even at this time ensure our economic performance growth of tomorrow and, hence, the stable foundation for all our social development later on. This at the same time establishes the preconditions for people to be able to focus in good time on new tasks in the development of their knowledge and capabilities, whereby also is confirmed what amounts to one of the basic advantages of our socialist planned economy: that it grants each citizen, and particularly also each member of the young generation, a tangible social perspective. This, as one finds in the world of today, is one of the inestimable values for happiness in people's lives.

#### Political Responsibility, Economic Thought and Purposeful Action

One of the greatest advantages of the socialist planned economy lies in the chance for overall social computations. Without such computations, an overall economic plan cannot be worked out in the first place. That pertains to economic cost accounting and balance sheets and also to budgeting. Furthermore, such overall social computations are an inestimable factor for indicating reserves from the outset and aiming the economic branches and areas in a coordinated and efficient manner on obtaining the united goal of socialist production. From the very start, all areas are included in these economic computations. That implies that ideas about the development of specific branches or particular combines must be determined always from the overall economic standpoint and decisions always be made from the vantage point of the national economy. That way alone can a unified economic plan be drawn up and become the basis for the conduct of all.

Exercising economic responsibility thus is not a matter for a particular "authority" but one that has to be assumed on each economic level. As this economic responsibility pervades all areas, branches and combines, reserves can be tapped even while the plan is being drawn up and, of course, also while it is being implemented, as is typical only of socialism. The fact that, e.g., this year the 223 centrally managed and bezirk-managed combines assumed the obligation to exceed the tasks of the 1982 national economic plan by at least a 2-day production output without using any additional material and energy and, beyond that, still to return allocations, proves what can be accomplished when unified action evolves from a high social responsibility.

We can now take it as an accepted fact that our socialist planned economy has shaped to a crucial extent the thoughts and actions of the responsible functionaries in the GDR and keeps doing so. Our combines and enterprises are headed by communists and functionaries profoundly devoted to our republic who with great responsibility seek to augment and protect public property and, in concert with their collectives, are solving our economic tasks.

It is demanded even from the way a plan is drawn up that the focal point for each responsible manager and of all working people altogether is the overall economic interest. The plan expresses the objective bearing his activity has on overall economic development. No matter what job he holds, he has to contribute to the smoothest possible running of the economic reproduction process. In that sense then, planning tasks are not merely some performance goals, but they also contain a political and social obligation. The GDR's socialist



planned economy, in effect for decades, has brought it about that an increasing number of the millions of working people in our republic is aware of this high social responsibility from the very start, which makes them engage in their initiative, especially through the competition organized by the trade unions.

Thereby socialist planned economy, based on public property, helps enable all people in understanding the meaning of their efforts. That is diametrically opposed to man's alienation from work under the conditions of capitalist exploitation. Our socialist planned economy, in terms of what it amounts to, cannot simply be understood as an economic table of figures, and least of all, as the class enemy often claims in his slanderous way, as some "bureaucratic orchestration." It is, on the contrary, a truly great social process touching, modifying and shaping the thoughts and actions of millions of people and sustained by their creative initiative.

Simultaneously, of course the socialist planned economy also makes demands on economic thought and calls for economic action by each determined by political responsibility to the GDR, the state of ours. That is the only way to exercise this overall social responsibility with awareness and success. Knowledge in economics in fact today is part of the general education of most of the citizens in our republic. As early as in the general education polytechnical secondary school, foundations are laid in economics, which is then deepened in the subsequent phases of vocational training and technical school and college studies and applied in practical work. Economics, on the basis of the Marxist-Leninist political economy, has had a great development in our republic. Also through economic knowledge and thought, science becomes effective as a productive force.

As economics in terms of quantity and, above all, of quality, under the aspect of the further deepening of our intensively expanded reproduction, is subject to high dynamics, the economic interlinkages with it become more complicated, and the coping with the qualitative factors in production growth make fundamentally new demands, requirements derive from that for the development of the economic sciences and knowledge in economics. They require steady expansion and deepening because only to the extent that the economic process becomes intelligible can reserves be uncovered and made effective. Deepening one's knowledge means penetrating more and more to the essence of things. Of that a special point must be made because economics is a living process and hence the knowledge of selected concepts is not yet sufficient for coping with economic processes. Deepening the knowledge in economics on the basis of Marxism-Leninism has to improve the understanding of how the intensively expanded reproduction cycle functions with all its phases and factors combined. Pitched that way, instruction in economics also becomes more interesting then and more relevant to life, and it furnishes still better means for coping with the processes.

These matters concern primarily of course the economists working in the economy, mainly the managers on all levels, regardless of their occupational qualifications. But actually they concern everyone. Knowledge in economics has to lead to economic action and, hence, to aggressively approaching the solution of new tasks confronting us.

The socialist planned economy and the further perfecting of it offer the crucial social prerequisites for it. Now more than ever the political position controls the successful implementation of the 10th party congress resolutions and the continued performance improvement of our economy, dependent on our fulfilling the tasks of the national economic plan every day, on the basis of optimum labor efficiency and quality.

#### Schuerer Rejects Bureaucratism Charges

East Berlin EINHEIT in German Vol 37 No 9, Sep 82 (signed to press 11 Aug 82)  
pp 885-891

['Theory and Practice of Our Socialist Planned Economy' feature article by Gerhard Schuerer, chairman, State Planning Commission; candidate member, SED Politburo: "Planned Economy and Socialist Democracy"]

[Text] The great initiative presently being developed by the enterprise collectives in industry and agriculture, construction and transportation, research and development institutions, the commercial and service sectors, in the entire economy, in fact, to fulfil and exceed in a targeted fashion the plan tasks for 1982 and carefully prepare the 1983 plan reflects the solid confidence the working people have in party policy and demonstrates their great dedication and firm resolve to implement the 10th party congress resolutions with success.

In his concluding speech at the fourth Central Committee session, Comrade Erich Honecker, secretary general of the SED Central Committee, made the point that it matters more than ever for the sake of peace and socialism to reinforce the various activities in the field of the economy to get onto a higher level through a high boost in labor productivity and better qualities and efficiency. "Only through high national income growth rates can we effectively meet the additional foreign economy burdens and ensure our people's social wealth. In conformity with the unity of economic and social policy everything therefore has to be done to carry on this performance growth in the future."\*

It has been found that it is possible to solve our tasks even under the more complicated conditions, provided we implement aggressively and consistently over the whole range of our economy the economic strategy for the 1980's which the 10th party congresses decided on. We always have to take into consideration in this that we have to make do with still less raw material and material and have to confront the exacerbation of the international situation caused by imperialism with all its consequences, for instance in the trade policy. That makes high demands on the socialist planned economy and its further perfecting.

The experiences in the formation and development of the socialist planned economy in the GDR clearly corroborate the Marxist-Leninist thesis that our overall social management and planning is a decisive source of strength for socialism's superiority over capitalism. Lenin, as one knows, called the plan the second party program and pointed out "that none but a construction undertaken according to a great general plan, which finds its task in an equal utilization of the economic values, deserves to be called socialist."\*\*

\*"Aus dem Schlusswort . . .," op. cit., p 91.

\*\*V. I. Lenin, "Speech at the Conference of the Chairmen of the Governmental Soviets," "Werke," Vol 28, Dietz publishing house, Berlin, 1959, p 21.

Under SED leadership, the GDR workers class and all other working people have created an efficient and stable socialist planned economy which is steadily being consolidated and perfected. It persuasively attests to the sound scientific, consistent and creative activity of the working class party and the socialist state in shaping the developed socialist society and consciously enforcing the objective laws of social development.

Our party never saw in the state plan just a document with figures for production quotas or as a tool for balancing costs with benefits, but saw in it always a tool for social transformation, for socialist construction by way of a planned proportionate economic development and for mass mobilization on behalf of a better life, the well-being and happiness of the people, a peaceful existence.

The first president of our republic, Comrade Wilhelm Pieck, wrote in 1950: "The planning of economic, social and cultural progress is the decisive tool for strengthening the antifascist-democratic order in the GDR. Therefore each act in all areas of our public life must depend on the basic idea of developing our people's creative capacities according to plan."\* This thesis on the inseparable connection between planning and social development in socialism, between the socialist planned economy and socialist democracy, and between central state management and planning and the development of mass initiative is of fundamental importance.

When the Eighth SED Congress in 1971 issued the main task in its unity of economic and social policy, a new phase in our development began. In conformity with the basic economic law of socialism and with the concrete campaign requirements and opportunities for social development, our party thereby resolutely turned toward the masses and their immediate interests and needs.

It has been written into our Party Program, which was unanimously adopted at the ninth party congress in May 1976, "to strengthen democratic centralism by effectively combining central state management and planning with the creative activity of the working people, with the activities of the enterprises, combines, associations of state enterprises and cooperatives under their own responsibilities, and with the local state organs. The working people's democratic participation in management and planning is an important condition for preparing and implementing ambitious realistic plans."\*\* And we are always concerned here with giving rise to more effective forms of democratic centralism in conformity with the concrete conditions in the development of the productive forces and the socialist production relations, and with constantly further developing socialist democracy.

As Comrade Erich Honecker stated at the fourth Central Committee session, we are shaping "the developed socialist society in the GDR in a world as it really is and not as some people imagine it to be. For solving the tasks that have to be coped with here there are no patent recipes."\*\*\* Here too we keep entering new virgin territory and consult with the comrades from the USSR and the other fraternal countries.

\*Wilhelm Pieck, "Reden und Aufsätze" (Speeches and Essays), Vol II, Dietz publishing house, Berlin, 1959, p 21.

\*\*"Programm der Sozialistischen Einheitspartei Deutschlands," Berlin, 1976, p 34.

\*\*\*"Aus dem Schlusswort . . .," op. cit., p 89.

Proofs galore are provided every day for that only socialism, the socialist planned economy, can solve the problems of our time on behalf of the working people. That precisely have been and are the motives the class enemy finds for his attacks against our party policy and our socialist state by assaulting our socialist planned economy. He thereby aims at one of the decisive foundations of our power. We still remember well how leading representatives of imperialism prophesied an early doom for our socialist planned economy after the founding of the GDR and predicted the collapse of our economy. The opinion molders in Western media are not ashamed, despite all their many miscalculations, to keep reheating the fancy about the alleged failure of the socialist economy, not last in the intention to deflect from the true causes of the manifestations of decline in their capitalist society. For the same reason they eagerly pick up such "theories" as that of "zero growth" or "minus growth" which they consider suitable for presenting the rise in unemployment figures and other manifestations of their worsening crisis, not as capitalist ills, but as universally valid and inherent in all economies. There truly is no lack of calumny, nor of "advice" from bourgeois apologists to "deideologize" our economy, turn to a "social market economy" or to "economic liberalization" and abandon the system of state management, planning and economic cost accounting for the social reproduction process and thus for the socialist planned economy as such. Like the leadership role of the Marxist-Leninist party and the socialist state as the chief instrument of the workers class in the construction of the new society, so also the socialist planned economy, as a vital process of steady perfection, belongs among the cornerstones of socialism, which to dismantle for that very reason is its enemies' illusory dream.

Our party, relying on the creative application of Marxism-Leninism, moves undeterred and resolutely along the course of the main task, the unity of economic and social policy, on the basis of a stable socialist planned economy that has, in turn, democratic centralism for its basis. Contradicting all the bourgeois distortions of this principle, it expresses an important advantage of socialism because, after all, this democratic centralism allows the workers class to bring its leadership role in socialist society to realization and ensure the unity and awareness of all social forces in making the objective inevitabilities of social development prevail.

#### The Five-Year Plan of All the People

How democratic centralism and socialist democracy are in unity put into effect through practical efforts is shown by the preparation of the 1981-1985 Five-Year Plan for the Development of the GDR Economy.

Comrade Erich Honecker, secretary general of the SED Central Committee, at the 10th party congress explained the economic strategy for the 1980's with its 10 key points. It is among our party's important scientific-theoretical achievements in our time. Proceeding from that strategy, and under the secretary general's personal direction, extensive work has been done toward the more long-range development of our republic's economy, in the outcome of which the five-year plan directive was drafted.



The draft for the five-year plan directive was presented for debate and decision-making to the 10th party congress. So that they could familiarize themselves thoroughly with that document and submit recommendations, the delegates were provided with it even before the party congress deliberations began.

After the directive had been explained, a creative debate ensued, recommendations and positions were announced, and the first competition commitments for its implementation were already submitted. The party congress unanimously passed on the directive and suggested a broad public discussion about it. So the communists, the workers, cooperative farmers, members of the intelligentsia and the other working people, all the citizens in our country, got the chance to contribute through their own suggestions to the implementation of the economic strategy which is aimed at the well-being of the people and at peace. The entire people was told by the party what is involved, what is to be achieved, and what demands are being made. This sparked a vast initiative; the five-year plan tasks were prepared and successfully undertaken by millions of working people under our party's leadership. Our people's intention, expressed in the more than one million suggestions and recommendations, to conform to the higher requirements of the 1980's by increasing performance, turns out to be the most important guarantee for the implementation of the five-year plan targets.

After this extensive plan preparation all throughout the economy and a detailed airing of the draft plan at the third Central Commission session, and after careful considerations given on the commissions and in the factions, the People's Chamber of the GDR late last year issued the law on the five-year plan, 1981-1985, for the development of the GDR economy and enacted the 1982 national economic plan and the budget plan.

There is every good reason to state that the preparation and implementation of our plans is the business of all social forces in our republic under our party's leadership.

A special point is to be made of the initiative-rich work of the FDGB. Comrade Erich Honecker asserted at the 10th FDGB Congress that the successes of our planned economy have been and are possible only because of the capacity and creative participation of the trade unions. "They affect in many ways and to a high degree the consolidation of our state and the improvements in people's lives. That is mainly the case because the FDGB, first and foremost, directs the initiatives of its millions of members at what is most important: diligent creative labor, performance growth, and a more efficient economy."<sup>\*</sup>

Our trade unions realize socialist democracy in everyday life. In an enterprise, the trade union group is the decisive base for plan discussion. The shop steward plenum decides on the draft plan, the performance development and the shaping of working and living conditions. Trade unionists have something to say in all combine conferences. Trade union representatives take part in the plan arguments before the ministries and the State Planning Commission. In

<sup>\*</sup>Erich Honecker, "On Topical Questions of GDR Domestic and Foreign Policy, NEUES DEUTSCHLAND, 23 April 1982, p 3.

the presidium of the FDGB National Executive Committee, government representatives explain the plan, and the FDGB National Executive Committee submits its position to the presidium of the Council of Ministers, of which account is taken when the plan gets finalized. To implement the plan as ratified by the People's Chamber, the trade union organizes the socialist competition.

The results of the 12th Farmers Congress of the GDR are eloquent testimony to that the GDR's cooperative farmers also combine their endorsement of the working class party policy with new ideas, obligations and deeds in improving the yields on the fields and in the stables and the efficiency of their labor, whereby to contribute to a higher economic performance improvement.

All that is socialist democracy in action, which is joint creditably by various initiatives from many other social forces--the FDJ, the National Front, the athletes, the women and so forth.

In view of this mass movement and the citizens' active participation in the development of our state, the screaming intoned year after year by the imperialist ideologues is pitiful indeed, to the effect that democratic centralism be identical with a centralized command economy and rigid planning bureaucracy leaving no room for the initiative of the enterprises and of individuals. Reality, own perception and own experiences make clear to everybody: our socialist democracy is vastly superior to the bourgeois pseudo-democracy. The kind of basic democratic rights our working people have and assume actively are inconceivable in capitalist society.

#### Higher Managerial Responsibility

The GDR's internationally recognized achievements in economic and social policy, science, education and culture are the outcome of the conscious acts and active efforts of the working people. Through the economic development plans the party directs and guides these actions, purposes are focused on the common interest and the field for creative initiative is broadened constantly.

It is understood that the implementation of the economic strategy for the 1980's places much higher demands on the management activity of the state and economic organs and managerial activity on all levels. Altered conditions call for new scientific-technical solutions, a faster improvement of labor productivity, a better use made of our basic assets, optimum refining of raw materials and other material, high increase rates for our exports and the thriftiest manner of dealing with what we have.

In his concluding speech at the SED Central Committee seminar with the general directors of combines and Central Committee party organizers in April this year, in Leipzig, Comrade Guenter Mittag emphatically referred to the great responsibility each manager has when he said: "As far as our task to improve economic performance for strengthening our republic is concerned, much, if not everything, depends on how each manager exercises his responsibility in the communist spirit."\*

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\*"Kombinate vergrössern ihren Beitrag zur Erfuellung der Beschluesse des X. Parteitages" (Combines Enhance Their Contribution to Fulfilling the 10th Party Congress Resolutions), Dietz publishing house, Berlin, 1982, p 87.

Each chief--be he a minister, general director, master foreman, plant director or brigade chief--is fully responsible to society for his domain and, mainly, for leading the people in his charge. He is expected to do what he can to implement our party resolutions with determination. He must personally organize the success and be implacable toward trends of turning off responsibility, looking for an easy way out, superficiality and contempt for the collective.

Each manager is under the obligation to set up the kind of conditions where the working people's wealth of ideas and energy are encouraged ever more effectively, maximum use is made of the people's property, and highest results are achieved with the least of efforts.

We must learn to control better and better all the different economic processes in their interconnection. More attention in this connection should be paid to labor coordination, well-timed partner correlation, and to accurate estimates for the effects of planned changes. That mainly also concerns the management and planning of territorial development, which is gaining increasing importance for the further intensification of the economic reproduction process and the shaping of working and living conditions.

The socialist planned economy requires always keeping the present and the future in mind. At the fourth Central Committee session, Comrade Erich Honecker said: "The tasks of the present are already affected by the requirements for the second half of the 1980's. At this time too, a smooth production growth must be ensured, as required by the further shaping of the developed socialist society. It is necessary in this connection faster to alter our economic structure."\*

Today already we have to see to it that the progressive branches which are marked most by modern developmental processes are used in the various ways for the development of the whole economy.

Microelectronics must much more be brought into the highly productive technologies and methods in chemistry and metallurgy, products of electrical engineering and electronics, and machine building.

We must more strongly develop the kind of productions through which, with less specific material invested and, above all, much less depending on imports, export products are made which will get us high economic benefits. Great efforts are needed to do more recycling of raw materials and other material and to ensure raw material imports long-range through appropriate performance and export products.

In all these fields we are developing close cooperation with the USSR and the other fraternal socialist countries. On that the stability of our plans greatly depends. Economic plan coordination aims at establishing consciously and according to plan the proportions objectively necessary in the community of the CEMA countries, whereby to ensure over the long run a dynamic and smooth upward

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\*"Aus dem Schlusswort . . .," op. cit., p 101.

development in each country based on its own high achievements. So we use the great advantages of socialism over capitalism with its wolfish law and purposefully reinforce our relations for mutual advantage.

At the Crimean meeting between Leonid Brezhnev, secretary general of the CPSU Central Committee and chairman of the presidium of the Supreme Soviet of the USSR, and Erich Honecker, secretary general of the SED Central Committee and chairman of the GDR State Council, both partners observed: the economic cooperation between the two countries is developing reliably. The production specialization and cooperation efforts in areas such as microelectronics, robot construction and chemistry have noticeably advanced. That was also demonstrated at the 30th session of the parity government commission for economic and scientific-technical cooperation between the GDR and the USSR in June this year, where important questions were discussed about the intensification and implementation of the economic strategy for the 1980's and another 16 governmental and ministerial agreements were concluded. So there are now 160 governmental and ministerial agreements between the GDR and the USSR on economic and scientific-technical cooperation; millions of people in both our countries are actively engaged in their implementation.

Of great importance for reinforcing socialist economic integration and combining our capacities is the economic plan coordination program for from 1986 to 1990 passed at the 36th CEMA conference. It makes possible starting shortly with coordinating basic matters in economic relations and further reinforcing our cooperation during the next five-year plan period.

The important point is to use all possibilities in this cooperation for improving economic efficiency and effectiveness.

#### Further Improving Management, Planning and Economic Accounting

Proceeding from current requirements, management and planning, pursuant to the 10th party congress resolutions, are being further improved. And this involves not just any sort of spectacular changes but the further extension of what has been found suitable, measures which accelerate scientific-technical progress, ensure the most rational use of resources, and enhance labor quality and efficiency. Special attention is being paid here to the new requirements in connection with further reinforcing the combines, to a higher stage of balancing, the preparation of cost/benefit assessments, the further perfecting of economic and cost accounting, and more effective inducements for export.

If we look at the formation of 157 centrally managed industrial and construction combines and at the 66 bezirk-managed combines as a significant sign for the perfecting of management and planning in accordance with the requirements of our time, it is mainly so because by the forming of combines crucial prerequisites have been created for combining central state planning still more closely with the comprehensive planning for the reproduction processes of the economic units. Today the shaping of economic proportions and their primary intertwining are possible only through connecting them inseparably with combine development. So the development of the combines must always take place under overall economic aspects. In the sense of the fourth Central Committee



session, what matters now is to enable these large economic units still better to contribute through their own solutions to coping with the various new tasks with which our economy is confronted.

Of great importance to proportionate economic development according to plan is our constantly improving our economic balancing. Comrade Erich Honecker spoke at the 10th party congress of balances as the support beams of the plan. The word "balance," as one knows, comes from the Italian "bilancia," which means equilibrium or scales. This means, the more achievement we place on one of the scales, the more we can balance them, the greater become the distribution opportunities. Nothing can be distributed that was not produced beforehand. And that is why balancing must never be merely looked at as a simple comparison between production and distribution but always as the outcome of highest achievements and most thrifty consumption.

Right now the pressure point in improving economic balancing mainly lies in ensuring the increasing entwining within production, between production and the foreign economy, and between production and working and living conditions, using material funds with greatest efficiency and thrift, and tapping economic reserves through sound scientific standards.

For further improving balancing, measures have been introduced that are aimed at a better grade of work in preparing, computing and controlling material, equipment and consumer goods balances. For the supervision of its implementation, the State Planning Commission last year set up a State Balancing Inspectorate. It is organized both on a branch and a territorial basis and checks right on the spot whether funds are invested with highest economic efficiency for purposes intended and the work is done with sound scientific norms and standards.

Plan discipline is what we need everywhere. Balancing must be carried out through the smallest enterprise units. And the responsibility assigned for balances on the various managerial levels must not be delegated. Much more than previously must we engage in the effort to mobilize additional reserves for the fulfilment and targeted overfulfilment of the plan by means of balances and to return material and financial allocations. The fund allocation return movement is an outstanding initiative. It testifies to high socialist awareness to make do with less than what the plan allows and return the funds allocated.

The working people's deeds in socialist competition toward the fulfilment and targeted overfulfilment of the 1982 plan and their fine ideas, recommendations and obligations assumed in the plan discussion for the 1983 plan year express our people's trust in its own strength and the potentials of the socialist planned economy. They are an expression of socialist democracy in the GDR.

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GERMAN DEMOCRATIC REPUBLIC

'RETHINKING' BY MANAGERS NEEDED TO PROMOTE RISK-TAKING, EFFICIENCY

Managers Must Identify Talent

East Berlin EINHEIT in German Vol 37 No 9, Sep 82 (signed to press 11 Aug 82)  
pp 892-897

['Theory and Practice of Our Socialist Planned Economy' feature article by Dr Heinz Wedler, economist, general director, VEB Microelectronics Combine, Erfurt: "Responsibility and Risk in Implementation of Scientific-Technical Progress"]

[Text] In 1981, the year of the 10th party congress, alone, there have been engaged 810,600 working people along personal plan missions, 2,092,700, along personal and collective-creative plans to boost labor productivity, and 1,793,800, on quality programs.

In 139,830 collectives the method of balanced settlements through budgeting in socialist competition is used. The number of innovators rose from 1,736,000 in 1977 to 1,886,534 in 1981. The volume of innovations used rose from circa M 4.1 billion in 1977 to M 4.9 billion in 1981. The profit from innovator achievements contracted rose in that period from M 1.6 billion to M 2.1 billion, and from reuse, from M 203 million in 1977 to M 255 million in 1981.

In the period ahead we shall make great efforts in the management activity of the microelectronics combine to use as best we can the available intellectual and material potential for our intensively expanded reproduction, producing through high efficiency modern microelectronic components for our national economy. A fundamental precondition for it is the closest linkage between science and production. To live up to the tremendous development of the productive forces, with microelectronics being one of its points of culmination, we must gain new scientific data much faster and bring them, from the economic vantage point, much more rapidly to economic fruition. How great the advances made in this are, to what extent the science and technology plans are fulfilled and--what is decisive in the final analysis--how much efficiency growth is

accomplished thereby, those are the matters that reflect not only the technical skills of the working people, especially those of the managerial personnel, but mainly also their political attitude toward matters of scientific-technical progress and its economic application.

An important quantity and quality boost in our combine is of great weight to our country, as we have to achieve, after all, important economic effects in a broad range through an above-average increase in the output of microelectronic components and specialized technical equipment through the development of new technologies and new types of components and their application. To that, the basic guideline on the further acceleration in the development, production and application of microelectronics in the GDR economy, as issued by the SED Central Committee Politburo, is oriented. Orienting all combine capacities to the implementation of the tasks connected with that keeps gaining greater importance because also in this field a harsh international class struggle is going on. Our response to the embargo policy of U.S. imperialism and the countries under its effect, aimed at blocking the development of microelectronics in the GDR, can only be to accomplish higher achievements toward fulfilling and exceeding the planning targets through concerted efforts with the fraternal socialist countries, especially the USSR.\*

#### More Personnel With Bold Ideas and Fighting Spirit

In the important field of microelectronics, crucial to the implementation of our party's economic strategy, the general director and the rest of the managerial personnel have to make decisions that have great economic implications and are to produce high effects. Correct as it is that in such decisions economic concerns always have to be taken into account, no matter which industrial branch is concerned, it yet need not be proven that in view of the enormous dynamics in microelectronics many questions arise that are of tremendous range. Creativeness, flexibility and the willingness to take risk are needed to an exceptional degree to be able to make decisions that lead into virgin territory and make top achievements possible that lead us ahead and economically yield a great deal. Such a creative approach is a public requirement and moral precept no manager may evade. Dodging difficulties and risks and confining oneself to "safe" tasks normally not only amounts to standstill but often even enlarges the gap from optimum scientific-technical world standards and most sensitively cuts into our market opportunities. Such an attitude grossly contradicts the requirements of the main task policy and can only hurt us in the class conflict with imperialism.

To be successful, we must in every way promote, encourage and materially stimulate all managers, scientists, engineers and economists to commit themselves to high goals and achievements because they clearly understand their responsibility and to create, through concerted socialist efforts, the prerequisites for making rapidly production-effective, effectively applying the achieved scientific-technical accomplishments. A high place value in our deliberations is assigned to the words from Comrade Erich Honecker at the third Central Committee

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\* Cf. "Aus dem Schlusswort des Genossen Erich Honecker, 4. Tagung des ZK der SED" (From the Concluding Speech of Comrade Erich Honecker at the Fourth SED Central Committee Session), Dietz publishing house, Berlin, 1982, p. 34.

session that the ambitions of the researchers, engineers and innovators are to be directed at performances "distinguished by bold ideas and leading to products and procedures bringing clear advantages to the GDR economy and its place on the world markets."\*

The way to the top internationally--provided conceptual work and a suitable material-technical potential--requires above all personnel rich in ideas, with dedication and broad horizon. Of them it is expected that they not only have solid specialized knowledge and expertise in their fields but also a high degree of responsibility and pleasure in dedication, are willing to assume healthy risks and do not tolerate the easy way out, smugness and mediocrity. I regard as one of my most important tasks to assign interesting tasks that make the highest demands on engineers and scientists of such caliber, grant a broad field of action to their creativeness, and do what I can so the circle of those who think and act in that spirit keeps widening. Undoubtedly, this way it becomes possible to tap the reserves our socialist personnel and educational policy has created rapidly for our scientific-technical progress.

How "Safe" Must a Task Be?

As any other manager of a large socialist collective, I take it as an accepted fact that responsible acts in pushing for scientific-technical progress have their risks, that new developmental trends, e.g., are tied up with uncertainties, the innovative processes are not fully predictable with regard to their prerequisites as well as their effects.

Keep in mind that the risk in the management and planning of R&D tasks differs in kind from that in the management of the production processes themselves because scientific-technical tasks to a higher degree enter into unknown spheres, experiences are useable only to a limited extent and sometimes even fail, while one also has to expect all the time that the competitors on the world market have not gone to sleep either.

In microelectronics, e.g., we cannot yet fully predict at this time what the limits will be for the miniturization of structures, the boosting of the degree of integration, and the capacity of storage circuits and microprocessors. That raises the question as to how far one may dare to venture and how safe an R&D project has to be. It has been my experience that precisely in this connection one cannot rate highly enough the importance of official duty records because, after all, they challenge us into the most far-reaching answers to such open questions and into well considered and clear decisions. And that precisely is the reason why I regard the planning of R&D tasks and the setting down of scientific-technical and economic targets in the official duty records as a management task of the first rank, as a matter that by no means must be left to evolution or routine.

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\*Comrade Erich Honecker, "Aus dem Bericht des Politbueros an die 3. Tagung des ZK der SED" (From the Politburo Report to the Third SED Central Committee Session), Dietz publishing house, Berlin, 1981, p 31.

Success probability in science and technology greatly depends on there being a feasible scientific strategy, an adequate scientific-technical lead, and knowledgeable personnel able to use these preconditions prudently, spotting new opportunities, and to react flexibly and fast to new developmental trends.

The tremendous scientific-technical progress and the toughest world market conditions compel us more and more to leave nothing to chance and to bog 'wn in routine but always to keep in mind that the pursuit of top achievements calls for rethinking, for departing from old habits, in management and planning, such as do not meet the dynamics needed for our socialist planned economy. Science and technology planning has to be made flexible in terms of the party leadership resolution on further improving science and technology management and planning so it will rapidly react to the requirements resulting from the high speed in scientific-technical development. That of course calls for more of a risk than it takes in developments which play it safe but for that very reason yield nothing in terms of science and also are economically virtually worthless.

We are assessing and utilizing the status and trend in microelectronics development in the world in setting down the R&D tasks for the years ahead. Proceeding from there, the appropriate capacities and prerequisites have been created in avoiding disproportions in the development and the phase of applying new scientific-technical data in production. The deliberations we engaged in, in this context, and the decisions we had to make made it emphatically clear to us that sound insights responsive to the current international standards can more clearly define, to be sure, the risk involved and suggest any possible negative consequences, yet they can still not tell us how the risk itself is to be avoided altogether. The most important opportunity for making it as controllable as possible or keep it in bounds lies in mobilizing all the creative potentials, all the resources, and placing them appropriately onto the scale when needed.

#### The Material-Technical Base and the Subjective Factor

A risky decision must of course never be made insouciantly. On the contrary. Solid preparation is demanded, based on sound knowledge of what is economically possible and necessary and about worldwide developmental trends and conditions. This entails not only the most accurate possible ideas about the scientific-technical leads and accurate assessments of the available science potential, but also other material conditions determined mainly by the overall level and the economic capacity of the economy. If, e.g., the material-technical base has not been sufficiently secured for certain developments, it often has very negative effects both on the outcome of the development and the deadline date--regardless of whether the reason was that what was necessary had been recognized too late, some things are hard to procure, or new demands are raised for the research outcome--which cuts into the production and market effectiveness of the scientific-technical achievement. Any delay and any curtailment of performance goals narrows down the economic effect and may even place in doubt the whole developmental outcome. It shows how important it is that material-technical safeguards are in place even before the scientific-technical work gets under way and that decisions are made when a project is initiated.



Also the matters of material-technical safeguards, which cannot be settled for once and for all but require constant attention, belong in the field of microelectronics with its enormous dynamics. For each new generation of electronic components, normally new materials, new technological procedures and highly modern special equipment have to be made available. For that reason an indication is required in the version of the official duty records that have become mandatory since the start of the year on the material-technical balancing and safeguarding of an R&D task with appropriate suggestions for solutions.

A significant influence on success probability is due to the choice of the strategy in taking care of R&D tasks. In accordance with the significance, scope and intricacy of a scientific-technical task it has to be set down whether a task is to be handled as a whole or in nicely delineated and controllable partial steps, and whether a one-way or a reduplication process is undertaken through which one can possibly reduce risks because errors are thereby more likely to be avoided and the tempo can be raised.

We have since 1981 worked successfully in such a way that, for keeping control on risks, we have combined various performance levels in the developmental course, such as A 4 with K 1, or even have jumped across some levels. A regular component of our components strategy also is the development of some multivalent electronic components and of a system of customer-specific circuits with a common starting base, which facilitates short-term circuit development and their production application. Important results also were achieved through an active application of electronic components. Thereby the users' demands for the 1981-1985 five-year plan period could be reduced to an economically acceptable degree without disadvantages for the users. Together with relieving the combine's R&D potential, already taxed to its limits, it also provided a higher degree of certainty in fulfilling the scientific-technical tasks.

Important decisions on all these details, it seems to me, primarily depend on the manager's subjective capacity, on his ability fully to assess the overall situation with the needed precision and establish the requisite premises for decisions at the right time. S. M. Shtemenko wrote in his memoirs: "As much as the abilities, training and inclinations of the various members of the collective differ, so also does the mode in which their comradeship, mutual aid and attitude toward the matter assigned to them is reflected." A manager must know these differences to assign each member of the collective to the most suitable job and to be able to direct and induce his attitude and conduct properly. As managers we must in the work process pay more tribute to the achievements of collectives and individual managers who assume obligations in excess of the plan and must not be petty when a collective, using all its capacities, successfully tackles extra tasks without, however, possibly meeting them fully.

#### Growing Efficiency Through Optimum Levels and Gaining Time

In line with the long-term economic concept, assortment expansions and a higher production volume in microelectronics must be linked with a perceptible increase in the tempo and level of science and technology. For a number of methods and circuits it is a matter of connecting with advanced international standards and, in certain causes, of achieving top world standards.

On behalf of a swift realization of these scientific-technical tasks, of which no kind of curtailment may be admitted in view of the unabated speed of development worldwide, college and technical school personnel and installations and equipment for its research areas were made available to microelectronics on a priority basis. It obligates our combine all the more to boost its efficiency at new dimensions through the science and technology plan and ensure penetrating performance improvements. Under party organization leadership we therefore concentrate all our political work, the management activity in the combine, and the various measures in socialist mass initiative on the following three focal points:

First: for selected projects it is a matter of achieving scientific-technical, and hence, international top standards. That relates to the most important scientific-technical parameters for the circuits and components, the production quality, which has its benefits for microelectronics, and to the time frames needed for development and production application.

The position an R&D collective takes on the scientific-technical top standard, it seems to me, is the most prominent indicator for its political-ideological level. There is no room in a collective that focuses on maximum criteria for taking it easy at work, for a lack of risk willingness or for smugness, and there one does not settle for "objective" difficulties. Without underrating the importance of objective prerequisites for peak achievements, such collectives will not allow that only matters others have to take care of, such as material-technical questions, will dominate the discussion, but there one mobilizes one's own capacities above all, one's own ideas, takes an aggressive, party-minded and realistic position, and approaches the solution of the task with elan and daring.

Second: we assume the task in the R&D collectives to shorten the time frames customary thus far for research, development and application. Advances here also do by no means depend solely on the given material-technical preconditions for our work. The differences again lie rather in the basic ideological position taken on that task. That is why we attach such exceptional importance to the implementation of the party's leadership role in R&D collectives and to the growing political maturity of the scientific-technical personnel. At the same time we do all we can to challenge the collectives consciously and purposefully by charging them with development time frames that are in line with advanced international standards and by insisting that they do not even discuss whether such goals are obtainable but rather, what ways and means they should use for their efforts. Our experience has confirmed that this procedure works, and that there are remarkable achievements when communists set personal examples in the collective, the manager enjoys high authority and uses it correctly, and a creative spirit, healthy ambition with its performance pressure, mutual respect and openmindedness inform the work atmosphere.

Third: we advise our R&D collectives to add extra tasks to the science and technology plan. An analysis of the 1981 science and technology plan has indicated that we must make much better use still of the advantages of socialism, the opportunities of socialist economic integration and, above all, our own potentials to speed things up and meet rising criteria.

our investing our own potentials more effectively in promoting top achievements and enhancing the economic effectiveness of science and technology starts by our preparing correct scientific-technical and economic objectives, includes the tasks of the science and technology plan in our socialist competition, and is significantly supported by performance comparisons among the R&D collectives and sectors in the combine enterprises. Material incentives act as strong impulses; so management activity pays constant attention to them. A system of material inducement in R&D has been found useful in our combine, which is based on the R&D collectives' performance offerings. It is purposefully being applied and further developed; and what we consider particularly useful for boosting our performance capacity are bonuses for college and technical school personnel working on projects out of government missions, salary bonuses for high work results--above and beyond the fulfilment of prescheduled collective and individual performance parameters--and target bonuses for solving economic major emphasis tasks.

Pursuant to what Erich Honecker remarked at the 10th party congress, that the crucial field of effort for the revolutionary actions of the party and of each communists is and remains our economy, the working people in our combine enterprises have done outstandingly well under party organization leadership in their contest for high achievements. Through initiatives like the one in the VEB semiconductor plant in Frankfurt/Oder which, under the slogan "ideas--solutions--patents," dispel doubts about one's own efficiency, other combine enterprises also contributed to a higher speed and efficiency of labor in research, development and application. Inventiveness, diligence, tenacity and the courage to take risks have been evoked. Thus we took new steps toward coping with the scientific-technical revolution and implementing our party policy that is aimed at the well-being of the people and at peace through diligent everyday work and the hard struggle for plan fulfilment each day.

#### Promotion of Worker Competition

East Berlin EINHEIT in German Vol 37 No 9, Sep 82 (signed to press 11 Aug 82)  
pp 898-903

['Theory and Practice of Our Socialist Planned Economy' feature article by Horst Heintze, social scientist, economist, member, SED Central Committee; presidium member, secretary, National Executive Committee, Free German Trade Union Federation (FDGB): "The Power of Socialist Competition"]

[Text] How well the working people understand that the safeguarding of peace as well as our consistently carrying on the course of the main task require further strengthening all-around the GDR through great achievements, is shown by their dedication to the implementation of the enterprise party organizations' campaign programs and their ambitious competition obligations. They reflect deep understanding of the stiffer political and economic class struggle conditions. They show how we carry on the dynamic development of our economy by making use of all advantages of the socialist planned economy and keep improving the working and living conditions in accordance with the 10th SED Congress resolutions.



## High Achievements Are Wanted

With good reason, the focal point of our efforts is a still more rapid increase of the GDR's economic capacity in our directing the initiatives, our diligent and creative work, at a higher rate of growth and economic efficiency. On advances in that sector, after all, depend "social security and comfort in our country and the continued elevation of the material and cultural standard of living. That has always been true and is of course all the more true today."\* Commitments such as returning allocations in raw material, working material and energy and to accomplish at least a two-day additional output in disposable end products out of saved funds attest to a commensurately high sense of overall social responsibility and the creative involvement in work, planning and government. To accomplish that presupposes not only knowledge and skills, not only technical and political knowledge, but also attitudes and positions that conform with the demands of our age: critically testing one's own performance, the constant search for better methods, incessantly learning from better performance and working on oneself, and the resolute search for solutions that will tap reserves. Some also need some rethinking to fully comprehend that what was excellent yesterday is today already no longer enough, and that no one is entitled to rest assured on what he has achieved. Such propelling attitudes and insights obviously cannot be left to evolution.

Clarity about the why and wherefore in high achievements, aiming at taking over good experiences, yet not mechanically, calls for everyday political discussion, for frank and honest exchange of opinions, for cogent argumentation. The more clearly in the outcome of it workers, engineers and scientists recognize their responsibility for the work, the more they stand behind it with their whole person and struggle for new solutions that conform with the high requirements. Fortitude and courage for innovations are needed to push through such solutions and assume the risk that comes with them. Yet that precisely, after all, is how the socialist planned economy functions, is an element of socialist conduct as it distinguishes the initiators in socialist competition. As ever since the first steps were taken in the competition movement so also today, those are heading it who do not settle for the regular course, for the easy way, for mediocrity, but who are intolerant and dodge no conflicts and difficulties when the cause is served by them.

Carmen Kuegler, design engineer and member of the plant labor union executive board of the Erfurt VEB communications works, cogently stated at the 10th FDGB Congress that the crucial yardstick was the all-round fulfilment and targeted overfulfilment of the plan. Millions of working people in the enterprises of our republic take sides in this sense, invest all their knowledge and skills, become initiators, rationalizers, innovators and inventors, and pioneers for novelties, such as the working woman Christa Kellermann of the Nordhausen VEB communications works, noted as the initiator of a personal plan commitment. Along with her there are many others who have made names for themselves by demonstrating a socialist attitude toward work and high labor morale in our workers and farmers state. For example, the mechanic Wolfgang Suchy of VEB

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\*Erich Honecker, "On Topical GDR Domestic and Foreign Policy Issues," NEUES DEUTSCHLAND, 23 April 1982, p 3.

Textima Gera came up with the initiative, "More efficient production with less material," and department chief Blanka Fetz, of the VEB equipment and control devices plant Teltow, with the motto, "We make more from what we've got." Whether it be she or the mechanic Walter Horn of the VEG crop production Langenstein, who does exemplary work with the log and quality book, or the animal breeder Erika Paulick of the VEG livestock production Kalkreuth, whose slogan is "High breeding results through the most efficient use of livestock feed," all these initiators have creditably joined the host of personalities in the competition movement that got its start with miner Adolf Hennecke. Then as well as today, initiators of socialist competition have been demonstrating through their personal example their trust in the working class party and their loyalty to our socialist workers and farmers state in which the trade unions hold a place of respect.

#### Returning Allocations--A Sign of High Morality

It attests to an understanding of party policy, grown through their own positive experiences and reinforced through political-ideological work, that increasingly more collectives in their entirety face the high requirements and a high work morality is more and more becoming the norm for general conduct.

Take the approach of the working people in the VEB tube combine Riesa; it is more and more informed with their social responsibility to no longer resting content with what has been achieved. The trade union groups in their combine conferred on whether what was achieved was already indeed the achievable. "Does it harm the competition when reserves are prematurely surrendered?", "Does returning allocations mean to live from hand to mouth?"--these and other questions received a convincing answer. The upshot was: we can achieve more. Furthermore, we have to defend a good reputation because we have always occupied a creditable place in the history of socialist competition. The slogan from the steel and rolling mill workers, "From steel comes bread," remains unforgotten and acts as a commitment on us to keep in the lead in socialist competition in conformity with the tradition. That today includes considering on every job how the highest results can be extracted from the available funds in energy, raw materials and working material. That was the argument by the party group organizers and shop stewards in the party and trade union groups. Party, trade union and state management jointly focus on increased production with the same and often reduced material and financial funds and on returning to the economy planned energy, raw material and working material allocations, so that it may rely on them from the outset.

What we return can be reallocated to other economic sectors or can be saved. The economy benefits from it and we do, too--right now and long range. That realization is the outcome of purposeful political-ideological work in the collectives and forms the basis for the initiative by the steel and rolling mill workers at Riesa to surrender some allocations for the benefit of other enterprises.

This new form of socialist competition by which these metallurgists adapted themselves in an exemplary fashion to higher economic demands is applicable in all sectors, yet it presupposes appropriate economic and organizational measures

for which the general director is particularly responsible. It also calls for intensive political-ideological work. Returning allocations is a decision that demonstrates an aggressive position, confidence in our tried and tested party policy, and the determination to reinforce the GDR through new deeds and to secure our social accomplishments. The Riesa metallurgists made such good headway with their initiative to return allocations because the decision was preceded by discussions making clear how intimately the preservation of peace depends on good labor.

Wherever one is aware of that, there are no reservations and objections to returning allocations. There come ideas then about how and where reserves can be spotted and tapped. There one then also realizes the need to come up with a good result next year with reduced funds in material, raw materials and energy already when plan appropriations are being allocated. And then one also knows one can do it. That became perfectly clear in the discussions of the Riesa metallurgists, and such an unequivocal response was more of a help to the working people than being round-about it would have been.

Especially because returning allocations is so very important, the trade unions are pushing for them in two directions: for one thing, as material and financial funds not used which can be removed from the plan in the planning stage already; and then, as reserves which are discovered in the course of the year in the plan discussions, are not used and are returned. To ensure a high funding economy, the scientific-technical lead has to be lengthened. Because the chief reserve, after all, lies in accelerating the development of science and technology and in a rapid economic utilization of the results as a crucial factor for improving the cost/benefit ratio. In the VEB tube combine Riesa, the return of allocation is greatly achieved through concrete measures in the science and technology plans and in the official duty records. They focus on new material and energy saving procedures and technologies, the use of microelectronics, the improvement of the input-output ratio, and the highest degree of refinement in the available raw material, working material and energy sources.

The enterprise trade union organization concentrates its political-ideological efforts on keeping the scientists, researchers and developers, engineers, designers and technologists aware of the importance their work has to the progress of socialist society. It ensures good working conditions, a truly socialist working climate that makes ideas, risk willingness and creativeness ripen and spread. That is an important source for returning allocations, and it includes reducing rejects and warranty and make-up obligations, an economical use of material, and a rational organization of transportation.

All that calls for reasonable solutions that everyone can understand. That is the case when all working people in the labor and research collectives are well informed and get concrete parameter leads. In the VEB tube combine Riesa it is made sure to be done that way. There all results from returning allocations go through the budget. And the outcome is that the returned allocations will exceed what had originally been expected. Up to July this year, the obligations came to M 11.4 million, of which M 10.9 million had already been returned to the state. They included, e.g., 7,045 tons of manganese ore, 310 tons of zinc,

127 tons of normal corundum and 6,000 megawatt hours in electrical energy. The collectives leave 5,000 tons of planned raw brown coal unused, are committed to an additional two-day output and intend to improve working conditions further.

The cooperative efforts of workers, engineers and scientists are purposefully aimed at it--while proceeding from the science and technology plan--and the work of the innovators is also concentrated on those targets. Great efforts by the enterprise party organization, the trade unionists and the state managers stand behind it. No one can assume it is easy to apply still higher criteria to a collective that has already shown great economic understanding and to explain those criteria so they are fully accepted. That they did succeed in doing so is a sign of a genuine socialist attitude toward work which is expressed precisely by the fact that they indefatigably seek to improve the effectiveness of science and technology and the cost/benefit ratio, and to get more out of what they have.

"How that succeeds is of great weight for the future of our people. Ensuring its considerable standard of living and improving it further step by step, and shaping our socialist society further and protecting it--all that remains indissoluble from dynamic growth and high scientific and production achievements."\* Peak performances by the briefest time frames, optimum refining of raw material and working material, and the thriftiest use of energy sources are as necessary for it as the most efficient use and further rationalization of the production installations.

Led by the enterprise party organization and through skilled state management, steps also were taken at Eberswalde's crane construction that resulted in more efficient solutions and improved working conditions. Talks had preceded them among the party group organizers, the shop stewards and the state managers in the collectives and on the jobs about each individual's political and economic responsibility, on the expectations made on his dedication, his work discipline, and on the norms of conduct that have to be enforced in the collective, confidently yet rigorously. It helped many people in better understanding the connection between politics and economics in general and in concrete terms, and the magnitude of the new criteria, and in assuming clear positions.

Debates brought out clearly that working time is performance time and that workers are in honor bound to make full use of working time and perform high-grade solid-quality work, and that the responsible manager has the duty to organize the work accordingly. Advances also were made in reducing the outlays for rejects and make-up work because the collectives have come to grips with manifestations of diffidence, slapdash work and negligence, and everyone senses that discipline, a sense of responsibility and quality are expected of him.

Persistent political-ideological work and solutions for problems the working people deemed reasonable had their effects also and, e.g., induced a revision of the official duty records in assigning higher quotas in them. The party, trade union and state management focused on exemplary work attitudes and modes of conduct in this process. They resort to the positive effect of examples. Time and time again it became clear that an interesting and vivid trade union

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\*Ibid.



life is indispensable for the shaping of socialist work attitudes. The trade union group meeting has room for burning questions raised by labor and life. When they are consulting and debating, arguing and convincing well there, then a work atmosphere, pleasure in work and dedication are effectively promoted where ideas, recommendations, suggestions and commitments mature for fulfilling and exceeding the national economic plan and improving the working and living conditions along with it.

The development of that, in the sense of the unity between economic and social policy, is part of the all-round trade union representation of interests. That was confirmed emphatically at the 10th FDGB Congress. What attention has to be paid to working and living conditions, e.g. while converting to shift labor all the way, was made clear by the approach at the VEB bookbinding machinery plant, Leipzig. The party, trade union and state managements are jointly preparing that conversion in political-ideological and organizational terms. They relied on that the working people in their readiness to perform shift labor prove "a high degree of insight into the requirements for economic and social development,"\* but that the new shift arrangement also has deep impact on the personal life of individuals.

The party and trade union functionaries in that plant therefore prepare socially beneficial solutions; the workers' concerns are their business, they feel. But often it is not at all easy to alter the rhythm of life within families. That can give rise to problems asking for other than ordinary decisions from the managers or the enterprise or departmental trade union executives and for thorough familiarity with legal matters.

#### Atmosphere of Creative Work

If through the trade unions millions of working people in socialist competition directly take part in management and planning and put in a weighty word at the annual plan discussions, that commitment also, particularly, attests to their responsibility to society. In the discussion of the 1982 plan, 90 percent of all working people took part by offering more than 1.1 million suggestions and proposals. Through trade union positions on the plan, the trade unions on all levels of our economy announce their standpoints on draft plans and so get actively and consciously involved in the shaping of socialist democracy, it being implemented extensively in the everyday trade union activity in the enterprise. That is attested to mainly by the monthly membership meetings which are attended, on an average, by more than 85 percent of the trade unionists. Between 1977 and 1981, they brought in a total of 15,170,630 proposals, of which 7,125,875 were concerned with the fulfilment and overfulfilment of the national economic plans by means of socialist competition initiatives, 4,500,331, with the further improvement of working and living conditions, and 3,133,209, with the further development of intellectual-cultural life. Direct working people participation in drawing up enterprise collective contracts and status reports on their implementation are another aspect of socialist democracy. After

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\*Harry Tisch, "Tenth FDGB Congress Report to the National Executive Committee," TRIBUENE, 22 April 1982, p 5.



the 26,282 conflict commissions were newly voted in, 233,325 working people now administer the law in the enterprises. Efforts on behalf of order and safety are broadly spread; where order, safety and discipline rule, no one suffers damage, there are no economic losses, and reserves are being tapped.

To have every day close with a fine balance, this initiative from the Hans Kiefert youth brigade in the VEB underground construction combine, Berlin, was also taken over by the members of the P 5 youth assembly line in the VEB housing construction combine, Gera, who for 8 years have carried on, through the FDJ initiative Berlin, the construction program in the capital of our republic. For that they decided to build faster, better and cheaper, with order, safety and discipline. In the first half of 1982 they accomplished an extra assembly performance at a value of M 344,000 and M 61,000 in construction expansion. It was possible because they apply order, safety and discipline each day, counteract restraints on the public labor capacity, and avoid interference, breakdown and fires through high vigilance.

The example of the Gera construction workers in fulfilling and surpassing the plan without accidents or breakdown by means of the Bassow initiative, found a resonance in thousands of collectives. The accident rate is thus reduced from year to year, reaching the thus far lowest level in 1981 with 28.5 labor accidents per 1,000 workers. But even that must not satisfy us because every accident is one accident too much, and each breakdown and fire destroys precious public property.

Of great weight for further successes it is to apply everywhere the proven and new initiatives, the methods of the best workers, more broadly. That presupposes targeted experience exchanges and performance comparisons to eliminate unjustified disparities among levels, and it makes new and higher demands on the quality of socialist competition, to which the working people respond by higher targets so as to keep implementing the main task with success. Wholly in that sense the worker Fritz Freitag--for the last 8 years a shop steward at the VEB Elektrokohle Berlin-Lichtenberg--has said: "The main task--to us that means social security for our families, a good standard of living for today and for the future, and therefore it also mainly means our own conscious and disciplined efforts on behalf of it."

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## GERMAN DEMOCRATIC REPUBLIC

### MEASURES SOUGHT TO CUT EXPENDITURES FOR AGRICULTURAL SECTOR

East Berlin EINHEIT in German Vol 37 No 9, Sep 82 (signed to press 11 Aug 82)  
pp 904-908

['Theory and Practice of Our Socialist Planned Economy' feature article by Prof Dr Gerald Schmidt, economist, study group director, Institute for Agricultural Economics, GDR Academy of Agricultural Sciences: "In the Struggle for Increased Efficiency in Agriculture"]

[Text] What matters in agriculture--as the fourth Central Committee session announced emphatically--is to ensure through prudent organization and creative and responsible work that the needed performance growth is achieved with smaller funds. The cooperative farmers and workers have considerable material and intellectual potentials for it. They have been created systematically throughout the successful 30-year development of socialist agriculture. They must be made full use of while all advantages of socialist production relations be put into effect and science and production are still more closely linked with each other to improve our efficiency.

#### Higher Efficiency Requirements

Even during the 1960's and 1970's the cooperative farmers and workers in socialist agriculture have demonstrated in practice that the growing intensification of agricultural production with a gradual transition to industrialized production methods leads to a more favorable cost/benefit ratio.

Through providing agriculture with modern means of production and applying new science and technology data while consolidating the LPG's and further perfecting socialist production relations, high growth rates in production, yields and labor productivity have been achieved. They brought it about that the increased production consumption due to a growing use of science and technology was more than compensated for through cost reduction for live labor per production unit. So the successes of socialist agricultural intensification are found not only in a considerable boost of output but also in improving a number of important parameters in economic efficiency.

Despite the great efforts made by cooperative farmers and rural workers, however, the second half of the 1970's showed trends toward higher expenditures, mainly because of the changed economic and foreign economy conditions. To counter them, we must improve the cost/benefit ratio by tapping new sources for higher efficiency. The main thing is to enforce scientific-technical progress in each LPG and VEG and to reinforce cooperation with the purpose of putting all intensification factors into effect in a comprehensive manner. Effectively reducing expenditures implies a fundamental change in the development proportions of the streamlined agricultural reproduction process. First comes here our ensuring a priority growth for crop production as compared with livestock production so as to ensure that all our fodder comes from our own agricultural acreage and can replace grain imports. The agricultural production increase needed for it must be achieved through by and large the same or reduced funds--especially for energy sources, fertilizers, herbicides and energy feedstuff--and requires making more effective the structure of production funds, mainly by our constructing our own means of rationalization.

For the current five-year plan period, economic production consumption per unit of social overall product is to drop by circa 2.5 percent. For agriculture to make an effective contribution to it, we must reduce the specific production consumption per unit of gross product by from circa 1 to 1.5 percent in 1985 compared with 1980. Obtaining that goal is an essential precondition for agriculture, forestry and the foodstuffs industry to raise their contribution to the national income by 1985 some M 1.1 billion over that of 1980. For agriculture that means it has to boost its net product between 4 and 5 percent by 1985 or annually by an average of circa 1 percent.

In 1980 and 1981 the cooperative farmers and workers, in fulfillment of their competition obligations, have done much in further increasing their production while improving the cost/benefit ratio. Gross production went up faster in 1981 than production consumption. Not only the specific fodder requirements went down but also the specific expenditures for energy, fuels, propellants and lubricants, by 3.3 percent. Higher outlays, as part of the reduction of or substitution for petroleum and grain imports, of the use of brown coal, and of a greater use made of forage root crop, must be more than compensated for through prudent management and properly directing the initiative of the cooperative farmers and workers at using all opportunities for reducing other expenses.

#### Better Fund Utilization

At the 12th Farmers Congress of the GDR, Comrade Erich Honecker, secretary general of the SED Central Committee, emphatically asserted: "For higher results it also means to agriculture making better use of what one has: the soil, the available technology and built-up structures, the opportunities for fertilizing and pest control, and the not inconsiderable funds."\*

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\*Erich Honecker, "Workers and Farmers Hand in Hand for Socialism and Peace," NEUES DEUTSCHLAND, 15/16 May 1982, p 3.

Each LPG and each VEG, the economic management and state organs and the co-operation councils are facing this task. We succeed in improving the cost/benefit ratio in the enterprise as in the economy wherever we have become perfectly aware of that the economic intensification processes must be understood in their overall interconnection. Any humdrum or formal approach, any thought that will take into account merely the ongoing year or particular cost elements will often lead to the opposite effect. That is why those cooperatives are right which make crop production increases the focal point of their deliberations because that is the pivot and fulcrum for improving, according to plan, the cost/benefit ratio throughout the entire agriculture. From that one must determine how costs and benefits are to develop, and not the other way around.

The preparation and gradual implementation of maximum yield concepts for all cultures in conformity with the example of the Lindenberg state farm in Beeskow Kreis persuasively illuminates how all factors can comprehensively be put into effect--all the way from the soil and the yield potential to the cooperative facilities--and how everything we have can also be used to reduce costs.

In the 1980's our agriculture is facing the fundamental task to increase hectare yields in all cultures faster than expenditures per acreage, so that there will be a fundamental turning point in the development of all yields and expenditures for all crop products. More and more LPG's and VEG's in conducting their competition proceed from this fundamental task, and they also more and more effectively link their material incentives with the application of scientific-technical progress, the rational use of funds and the reduction in costs.

A more efficient use of the soil as the most important natural resource in our national economy demands a higher soil fertility. That pertains in particular to improving humus supplies and the full use of nutrients, especially manure, which includes measures for avoiding environmental burdens caused by their use. Subsoil loosening must become more important, even for the sake of eliminating for soils with structural damage the danger of protracted yield stagnation. Experiences especially in recent years have shown that wherever one does not pay enough attention to soil fertility, yields do not increase in spite of higher expenses, e.g. for fertilizers. That is why those LPG's and VEG's act correctly which in the use of available investments concentrate on crop production intensification measures, on improving soil fertility and a high intrinsic effect from investments and shortening their implementation time frames. Through a sensible care and maintenance of the equipment, which improves its utilization potential, the LPG's can increasingly abide by the most favorable agro-technical deadlines. And then also, by extending the working life of the machines the one-time outlays can also be reduced. And that applies not only to the mobile equipment in crop production. Scientists and engineers in the inter-enterprise facility for milk production Paulinenaue, Nauen Kreis, have committed themselves to keeping the equipment in the stables also operational much longer through systematic preventative maintenance.

An important source for improving the cost/benefit ratio is doing away with economically unjustified performance disparities under relatively identical conditions. Surveys by the Academy of Agricultural Sciences in the northern

berirks have established that LPG's and VEG's which economize throughout their whole reproduction process get a 7-percent higher yield in grain units per hectare with almost identical natural and economic production conditions. They were able to reduce the costs per unit of gross production by circa 9 percent and produce a 24-percent higher net product, without product-related subsidies, per hectare and triple their accumulation. It has also turned out that a more thorough and precise performance rating makes it easier to judge the performance capacity of the LPG's and VEG's. Through such comparisons, the LPG's and the VEG's, the cooperation councils, the councils for agriculture and the foodstuffs industry (RLN's) and the state organs can draw sound implications for mobilizing available reserves. That contributes not insignificantly to improving the management and planning of agricultural production and its efficiency. So the Luckenwalde council for agriculture and the foodstuffs industry had the idea to get equally good results from equally good conditions, reinforce experience exchange and work out measures through concrete surveys by council task forces on how to overcome unsatisfactory yields. Such an approach greatly helps in mobilizing territorial reserves through the initiative of the cooperative farmers, making better use of their experiences and capabilities, and getting the full benefit out of their bond to the soil and their responsibility as farmers and socialist proprietors and alliance partners.

#### Priority on Reducing Energy and Material Consumption

Agriculture faces the task to reduce expenditures in absolute terms. More and more LPG's therefore seek new solutions for effectively improving their energy and materials economy through a resolute implementation of socialist industrial management and for reducing their absolute and specific energy and material consumption through a broad application of science and technology and by means of socialist competition. An outstanding role here attaches to the task effectively to reduce transportation expenses through prudent labor organization and a better use of cooperation, the proper division of acreages and an appropriate crop rotation and, not last, through optimizing transportation routes and the full use of available shipping space.

The crop production LPG Klein-Buenzow, Anklam Kreis, by changing the organization of livestock feed transport, saves daily a 120-km route distance for a ZT 300 tractor with two trailers. Previously all fodder was taken successively from one depot via the scales into the stables, but now it is stored and taken out of two different storage areas.

The crop production LPG Mittenwalde, Koenigswusterhausen Kreis, has achieved good results in a more rational use of energy. Through organizing easily manageable brigades, those cooperative farmers ensure short distances for hauling the harvest and the by-products and short routes for the labor. Yet the cooperative farmers in that LPG do not rest content with what they have achieved; they seek still more efficient forms of their production and labor organization and for their crop rotation to get still better results in energy savings. That also means using the reserves in all cooperation, in storage with little loss and in applying organic substances, in such a way that any long-distance hauling of humus becomes a practice of the past.



Reserves for reducing energy expenditures are found in combining equipment and in getting the full use out of propulsion and traction. Along with greater efforts in constructing their own means of rationalization, that calls for the elaboration of technical and agricultural solutions to get a great reduction in labor operations, especially for tillage, as has already become standard procedure in advanced LPG's. That not only saves energy but also greatly boosts labor productivity, helps in meeting the most favorable agro-technical schedules and provides for a more cautious fieldwork.

A higher agro-technical discipline, an acreage-related handling and supplying the fields with organic substances, mineral fertilizers, pest controls and so forth greatly help further improve the materials economy in the LPG's and VEG's. In livestock production that means improving the fodder economy, reducing animal losses, and enhancing breeding results. Fodder available must, by resolutely exploiting the best experiences, be used with the highest effect; feeding operations must be organized by cutting down losses through close cooperation among the cooperating partners. Important sources for making a better use of fodder, while reducing expenses, lie in a more efficient organization of pasturing and in the use of green forage. What matters on all production levels and in all operational facilities is to aim all activities, including the needed animal hygiene measures, more at raising animal performance while taking account of the reduced volumes of energy feed, and to reduce the disproportions still existing in performance in some places.

To ensure production, boost labor productivity, improve labor and living conditions, and make more efficient use of the basic assets, the rationalization of the stables is gaining more importance, for right now and long-range. Here the LPG's, VEG's and cooperative facilities, even while preparing their rationalization measures, face the task of working out solutions for how to compensate, and more than compensate, for the necessary outlays for maintenance costs per animal by reducing specific fodder expenditures, hauling costs, and mainly also by improving animal capacity, to bring down overall costs per unit of product. Here too, total effects must be computed beforehand. Then the necessary measures must be conferred on in the cooperation councils and must be decided on there, so that all cooperation partners have a share in implementing according to plan the rationalization projects in livestock production with high benefits for the cooperative farmers and the LPG's and for the entire national economy as well.

Of great importance for improving the cost/benefit ratio according to plan finally is the reduction of the high maintenance expenses that would be very good for the materials economy. Were one to reduce them by only 2 percent, socialist agriculture would save almost M 100 million. More and more LPG's have started to reduce their material investments by improving their maintenance organization. The crop production LPG Schönlberg, Ribnitz-Damgarten Kreis, for instance, reduced its consumption of components, starters and electrical parts in 1981 to half of what it was in previous years. Pursuant to the fourth Central Committee session, the farmers at LPG Pretsch, Wittenberg Kreis, in close cooperation with the plumbers and engineers in the kreis enterprise for farm equipment, intend to save one-fourth of their customary costs through a more rational maintenance and repair of their harvester-threshers while at the same time improving the operational capacity of their equipment. That not

only helps effectively improve the materials economy, it also means a more efficient use of the basic assets agriculture has available. They come to M 74 billion, of which M 23 billion goes for equipment, an effective potential indeed, an efficient use of which greatly determines the cost/benefit ratio.

The 10th SED Congress requirement effectively to improve the cost/benefit ratio also in agriculture is of a comprehensive nature. It embraces the further improvement of interlinking relations between industry and agriculture, and of all areas in production planning, a broad application of the scientific-technical progress, the further perfecting of socialist competition, the rigorous application of the principles of socialist industrial management and, not last, economic cost accounting. As experiences have show, especially in the last 2 years, and in particular at the 12th Farmers Congress of the GDR, the co-operative farmers, supported by the workers class, have all it takes to solve this complicated task.

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GOOD DESIGN IMPORTANT FOR MATERIALS SAVINGS, EFFICIENCY

East Berlin EINHEIT in German Vol 37 No 9, Sep 82 (signed to press 11 Aug 82)  
pp 930-933

[Article by Prof Dr Martin Kelm, state secretary, director, Office for Industrial Design: "Good Designing--An Economic and Cultural Task of Great Importance"]

[Text] The continued implementation of the main task calls for a strong performance improvement and a high rate of economic growth through the consistent implementation of the party's economic strategy for the 1980's in conformity with the tasks issued for it by Comrade Erich Honecker at the fourth Central Committee session. That includes better quality products, to be obtained through reduced production expenditures and a determined utilization of domestic raw materials and resources. That also involves a better use of industrial design.

Design affects the fulfilment of the main task in affecting the implementation of our unified economic and social policy. Being functionally and aesthetically perfected, product design directly affects the improved satisfaction of needs and enhances the products' marketability. It also aims at improving intrinsic values by keeping the costs for the development and production of products down. Only when these two aspects are combined in the end product, can one speak of good design. Only then is the people's material and cultural standard of living as well as the strengthening of our country's economic capacity positively affected by design. Under the current and future conditions of our life and the demands made on our socialist state's economy, a better design for products and the environment receives an ever increasing place value. We live in an environment that by and large has been made and is being made or changed by us, by men themselves: cities, villages, apartments, factories, jobs, machines, means of transportation all the way to the many products in everyday life. All that shapes our lives and has an influence on our feeling good and at home.

If the environment affects us positively, it fosters creative action, works productively, reinforces our bonds with our socialist state. It is all the more important when we implement our housing program and shape the working people's working and living conditions, and when we make high-grade consumer goods available, to seek good solutions having fine aesthetic and cultural effects. Good product designing therefore is inseparable from achieving a socialist culture in the material environment.

there first are the effects of forms, proportions, surfaces, sculptures or colors which provide things with design features and decide whether we find them beautiful or ugly, attractive or repellent. But also the mode of handling, operating, upkeep and the degree to which things are easy to maintain, an untiring and safe working with machines, devices and installations, and sitting distinctly well and comfortably on chairs or armchairs are among the features that make a product more or less desirable to us. Particularly such intrinsic value features that are derived from physical and physiological requirements and needs and brought to realization in a product, together with a high technical performance and reliability, are decisive for the users.

There also is an increasing need for a diversified design for products, especially for consumer goods. Based on identical public and political-ideological fundamental interests, more and more strongly in our socialist society independent personalities form with most specific and increasingly more differentiated cultural-aesthetic needs. And the chances to satisfy these needs are getting better because the citizens make more money. This requires, in accordance with the 10th party congress resolutions, that we assume everywhere the responsibility for making available an attractive assortment of goods, differentiated in terms of design, of high-grade quality.

It is very important, for our country's economy as well as for the individual use, to extend the working life of products. That concerns their physical longevity--e.g. by means of solid manufacture, improved durability, less sensitivity to interference--but more still their moral life span. Here, design quality is of special importance. Product features such as sterling quality, discreet elegance and excellent finish, with a high degree of refinement for the materials and a pleasant surface effect, are prerequisites that keep the user from throwing the product away quite soon and keep him enjoy his acquisition for a long time. That makes products last longer. Simply in terms of using available materials in the GDR, the task to make our products more demanding, and thus more durable, is of great social weight. Merely by extending the moral life span of, let us say, furniture, textiles, leather goods or light fixtures many raw materials can be saved and the development and production effort, be reduced.

An extensive production assortment organization also helps satisfy growing demands. Good design harmonies in sizes, forms and colors--e.g. in internal decor--make it easier for the user to make himself feel comfortable and good in his environment. Environmental design also becomes ever more important in the working environment. Especially under the conditions of concentrated rationalization measures--as by the use of robot technology and the addition of reconstruction and investment measures--we must ensure further improvements in the working people's working and living conditions, according to the fourth SED Central Committee session. It means a good design for the working environment, from the machines, devices and installations and the jobs themselves all the way to complex designing of plants. So much must be made of this requirement because working people spend a good deal of their lives at work, so that the effects from the work environment exercise a most permanent impact on the working people.

It has long been proven that a functionally and aesthetically well designed work environment benefits job satisfaction and job performance. The point essentially also is to adapt the technology as much as possible to human conditions and not to regard technology as an end in itself that demands too much in being operated by men or destroys men's living conditions.

It has been established that well designed tools, machines and installations usually also are the more productive ones. They help improve working and living conditions and boost the labor productivity as well. Designing thus always is placed within the field of tension of cultural and economic requirements.

We must seek to realize a high cultural objective through new design ideas for products and achieve a high economic result along with it. The notions that a designer only is the creator of new ideas and need not concern himself with the material-technical and economic conditions for realizing them are as harmful to the effort for highest efficiency as is the standpoint that certain material-technical and economic givens leave no room for ideas in design.

This last objection plays a special role right now as we are, after all, concerned with greatly saving materials and cutting back production expenditures. If one infers from that at times that form design under these conditions is not feasible, and hence unnecessary, it is mistaken on principle. On the contrary: especially under the conditions of continued resource shortages it is so important to work out new design solutions which help us make the proper use of available means and resources and ensure a good return from domestic supplies and exports. Thus design can help, and not insignificantly so, achieve a favorable cost/benefit ratio. The GDR, as one knows, is among the countries that do not have many resource deposits of their own and so attach particular importance to the export of highly refined products. An important mark of refining, intelligence-intensive work, lies in the high-grade design given our products. That this, not all too rarely, becomes the crucial factor for the selling of products on international markets, has been proven many times. Even in technical products, such as mining equipment, road construction machinery, scientific devices or machine tools and polygraphic machinery, design can significantly affect the sales success. The more dense the offers of technically equivalent products on the world market, the more a good or poor design can become the strong or weakest link in the chain of quality parameters and have the last word about sales.

It means that designing must be enforced in the combines with increasing effectiveness. And what does that mean?

Designing must come more into the R&D phase even. To boost the proportion of well designed quality products, with a good export return and domestic demand satisfaction, we must ensure high-grade design for every innovation under development. Especially for products meant for export, we must find our own design quality that beats international competition, stands up well and is gladly accepted as an innovation. Imitating international design models always leads to economic losses.



Such work in designing presupposes the knowledge of international market requirements, calls for studying currents and trends, for preparing long-range strategies for product development and for intensive lead efforts for developing new product ideas. It has been found useful here consistently to use the performance principle for stimulating high achievements and also to sponsor contests to gain many different ideas.

The preparation of ideas must start long before the official duty records are worked out, as many experiences have confirmed. If then right from the start, together with the combine's own developers and designers, outsiders from schools and institutions are drawn into the effort, it greatly expands the developmental chances for various ideas and permits optimizing the route to be taken toward solutions for the newly to be developed product. It is important to proceed consistently from the idea that material must be saved, available raw materials must be used, imports must be avoided, and the design and construction costs must be reduced.

Experiences have demonstrated that the conceptual work must not be concentrated on the end product but the preliminary steps and ancillary products must also be included in it. Often it is necessary, especially in this field, to broaden bids for well designed products through a targeted conceptual and contest activity, because it is not at all rare that preliminary or ancillary products control the quality of the end product.

The prerequisites for effective design work in the combines are mainly to be improved by setting up or developing efficient design workshops. Where there are no appropriate potentials for it or the work is not done creatively, no high-grade design products can be expected. In properly assigning designers still lies one of the most essential reserves for making headway at proper speed with design work in the combines.

Combines not permitting any fragmentation of capacities, which make arrangements for a concentrated use of personnel in efficient collectives and assign ambitious tasks to each design collective and each designer, are the ones that are making good headway.

Also the assignment of chief designers in combine managements is of great importance because their activity essentially controls creative designing in the combine and the combine enterprises.

Based on the resolution of the SED Central Committee secretariat and of the Council of Ministers of the GDR on "measures on the further promotion and implementation of design," of February 1982, the general directors have to make the appropriate decisions in guideline documents to ensure a high effectiveness of design work in their combine.

Improving the design level of our products and thereby elevating an essential component of our culture in our material environment is possible only through rendering design in the combines more effective. All efforts therefore are aimed at strengthening design mainly in those combines in which they are especially relevant to product quality, export and the satisfaction of demands.

Everything must be done to increase rapidly also the proportion of genuine top achievements in design quality so that--as Erich Honecker put it at the fourth SED Central Committee session--"quality production from the GDR" becomes visible and perceptible also through the appropriate design of products.

5885

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# REQUIREMENTS MUST ENSURE INTERNATIONAL COMPETITIVENESS OF FOODSTUFFS

Budapest PARTELET in Hungarian No 9, Sep 82 pp 8-12

[Article by Istvan Torok, state secretary, Ministry of Foreign Trade: "Timely Questions of Our Agricultural and Foodstuffs Industry Export"]

[Text] In addition to ensuring a rising level of domestic supply, the production of agricultural and foodstuffs products has an outstanding role in our export, in our external economic contacts and in improving the balance. Such products make up one-third of the direct export in non-ruble accounting. This ratio will not change substantially in the years ahead. So the development of the world market supply and demand for foodstuffs and our reaction to quickly changing marketing possibilities are important for us.

When planning the production of agricultural and foodstuffs industry products, developing production policy, determining the chief ratios of the production structure and implementing the economic regulator system we must take into consideration the requirements being transmitted by the external market in the areas of quantity, quality and variety. The enterprises belonging to the foodstuffs economy and those guiding the branch must define their tasks by taking all this into consideration.

The general economic slump has left its stamp on the present situation of the international foodstuffs market and its short-term prospects. But over the longer run the export of foodstuffs industry products represents favorable export opportunities for us. This year, for the majority of volume products, the supply of the exporter countries exceeds the needs of customers and competition is intense. In addition, trade policy restrictions holding back an expansion of export have increased because, ignoring international trade policy agreements, the conditions for getting on the market in the EEC countries have worsened. In almost every product group, but especially for beef, mutton, vegetable and fruit products, the European Economic Community--using every possible open and concealed means--is striving to force back the competition of products coming from outside the community.

The competitiveness of our foodstuffs export must be judged and tasks aiding an improvement must be determined on the basis of the market situation which has developed in the interest of holding the positions we have attained.

## Competitiveness and the Market Position of Our Products

The competitiveness conditions system is known in general. In this article I would like to indicate, in regard to a few products and product groups, what sort of requirements we must satisfy in the interest of increasing our export or maintaining our market positions.

a. The production of the meat and poultry industry branch intended for export is significant. At present we export 43-45 percent of the slaughter cattle purchased by the state, 18-20 percent of the slaughter hogs, almost 100 percent of the slaughter sheep and 65-66 percent of the slaughter poultry. Among the more important customers one can find the socialist countries, west European developed capitalist countries and Near East and North African developing countries.

In general the customers are satisfied with the quality of our export articles; they honor outstanding quality goods with a high purchasing price. Slaughter cattle are a good example of this. Suitably fattened, young beeves of the Siementhan type with well muscled meat forms and little suet can be sold on all our markets. They are favored and sought after by our customers. Young Hungarian Dappled beeves in the 550-600 kilogram range meet these requirements, but one can get even better prices for their offspring crossed with certain meat types (for example, the Limousine).

In the export of slaughter sheep also the domestic enterprises try to satisfy the needs of the customers. For example, they ship roasting lambs between 30 and 32 kilograms to the Italian market, heavier quick fattened lambs above 35 kilograms to France and the FRG and really heavy ones, 35-45 kilograms, to Arab markets.

Deliberately changing the products also reflects swift and flexible accommodation to market needs. We have been forced out of the Common Market countries in regard to live hogs and halves but the production of pieces has increased significantly, the export of which is less restricted by the Common Market and, in addition, there is a demand for processed meat industry products.

In the interest of increasing the export of dry goods we are offering our customers new spiced and packaged goods such as ginger and black skin salami made from beef, farmer, cumin and cigar shaped Debrecen sausage, hot sausage in rings and peasant sausage by the yard. These products further increase the export variety of processed meat industry products.

b. The export of wheat and corn are of determining significance among the products of plowland crop production. We have regularly exported both since the early 1970's. Our chief customer markets are the socialist countries but we also ship to other countries. The fodder value of Hungarian corn is considered good by the international market.

The production and export of oil plants and vegetable oils is one of the most dynamically growing branches of our foodstuffs economy, the quantity of export in 1981 was six times that of 1970. In addition to expanding export the

production of seeds and oil helps to satisfy domestic protein needs since the meal produced by the vegetable oil industry as a by-product is used for feed.

The quality of the vegetable oil industry products is good. But due to the saturation of our traditional European markets, the strong competition and the increasing import restrictions the possibility of increasing trade further is limited. There is a possibility of increasing export in the Near East countries but exploiting this will require a development of the domestic refining and packaging capacity.

c. The gardening branch also plays a significant role in our agriculture export. We market the large part of the export in socialist countries but our products also go to every west European, a number of Near Eastern and a few distant overseas markets. Almost half of the domestic fruit and vegetable production--in the form of fresh or preserved goods--and the same ratio of the wine produced is consumed abroad. The fastest export increase has been achieved by the export of fast frozen fruits and vegetables. One of the most valuable and most sought after Hungarian spices is paprika. Our homeland is now in second place among the exporters of paprika.

Because of variations in quality there are frequent customer complaints in regard to a few products. For example, in regard to paprika, the producers strove to increase volume and quality deteriorated. For this reason we struggled with marketing difficulties. We must avoid similar cases in the future because they do much harm to the reputation of the commodity.

In the interest of holding on to export markets it is becoming ever more urgent to introduce new marketable products and types in the fruit and vegetable sector. The composition of the paprika produced should be better adjusted to the market requirements. In the event of favorable production the available "top quality" paprika (dainty and sweet) exceeds the demand of the external market while the ratio of the marketable "medium quality" (semi-sweet) is lower than desired.

Frequently the quality problems can be attributed to a failure to maintain technological discipline or to deficiencies of factory quality control. Last year, for example, mechanical contamination and precipitation caused a number of claims in regard to our export of bottled wine while fermentation and higher volatile acid content caused claims in regard to the wine in barrels.

Adapting to foreign customer demands and expanding the commodity base for fast frozen fruits has resulted in increasing the ratio of articles getting a higher export price and this was favorable for producers, purchasers and exporters alike. Producer and foreign trade enterprise activity is similarly worthy of recognition in that they have made the Sopron, Szekszard and Tihany red wines recognized and sought after items on a number of capitalist markets--building on the introduction of Egeri Bikaver and the demand for special quality red wines.



## The Level of Foreign Trade Work

The level of foreign trade activity can be measured primarily by how effectively it can discover and exploit foreign market sales possibilities and by the extent to which it can influence production so that it can prepare in time to exploit the new market possibilities. It need not be emphasized how much all this influences our foreign market competitiveness.

The market research work and information activity of the foreign trade enterprises has developed in recent years. They regularly prepare forecasts pertaining to the expected development of the market situation for the most important export products; they follow with increasing consistency the market indicators coming from foreign representatives and enterprise representatives. The great majority of the enterprises prepare regular market reports--usually monthly--and send them to their most important partners. But it appears that this is not enough; every enterprise participating directly or indirectly in export needs this information. In addition, the reliability of and basis for longer range forecasts must be increased in the future.

In general we have found an improvement in the economic work of the enterprises. The majority of them have improved the system of price documentation in a noteworthy way; relative price level analyses of the price position of our products are being prepared in ever more places. They are turning ever greater attention to the market changes for foreign currencies and are informing our more important export shippers about these.

But despite the tangible progress we have much to do still in improving the organization and culture of foreign trade work. Recently a few enterprises made significant efforts to further develop their internal organization; others, however, are not yet turning sufficient attention to this. Independent of this we cannot permit ourselves not to pay worthy attention, in the hope of future business, to potential buyers or sellers--and unfortunately there are examples of this. We must further improve language knowledge and negotiating ability for those participating in business work also.

Advertising and propaganda activity has improved, but due to the limit on available material resources we must strive to exploit them more efficiently. We must organize joint actions with the more significant foreign partners.

## Competitiveness and Improving Economicalness

Progress in this area requires the consideration of many factors. Without trying for completeness I consider the following to be the most important tasks.

Our goal, in developing the commodity structure of export, is to increase the ratio of competitive products which can be marketed economically.

Obviously the export economicalness of individual products can be improved by reducing domestic production costs and raising the sale prices. We have many reserves in both areas. Considerable cost savings could be achieved by

rational exploitation of production capacities, a possible reduction of material expenditures, increasing yields and better organization of production. On the other side, we could increase our foreign exchange receipts through a coordinated improvement of competitiveness factors and an improvement of the level and organization of foreign trade work.

Increasing the net foreign exchange yield of export is a stressed task of the activity directed at improving the external economic balance.

The ratio of products with a higher degree of processing must be increased in the export of agricultural and foodstuffs industry products. This is one of the most important sources for increasing export turnover. This will require a swift change of product variety adjusted to market needs; in addition, the domestic cost and calculation system must be changed so that the economicalness of more highly processed products should improve with the increase in the degree of processing.

Even today the cooperatives have a significant role in the production and export of smaller volume agricultural and foodstuffs industry articles satisfying special market needs. The share of these products in total foodstuffs export is constantly increasing and for the most part there is a stable market demand for them. A much more flexible export policy can be followed in the case of smaller volume products; the danger of discrimination is less and new customers can be found by exporting them. There are a number of products which were small volume ones in the past but which have become significant export items today. In addition to the well-known examples of rabbit and honey export we might mention the increase in the export of pigeons, snails and bird-seed. Dealing with these products and expanding the list of products is a task of special importance.

Satisfying various animal health and manufacturing hygiene requirements has received ever greater emphasis recently among the quality requirements for foodstuffs of animal origin. The most important importer countries will authorize the import of only those goods which meet the strict prescriptions.

Packaging has a significant role for processed foodstuffs industry products. Unfortunately the shortage of modern domestic packaging materials causes much trouble in the foodstuffs industry. We must accelerate the exploitation of domestic production capacities for this purpose; our products could be sold at a better price with more modern bottling and labeling.

Not adhering to delivery times harms our competitiveness and in practice, unfortunately, is the source of frequent claims against us. Interdependent with this is the fact that only very rarely can we undertake direct service to distributors and retail networks requiring scheduled deliveries. Progress in this area is needed also, because in general assuming more strict delivery discipline makes possible higher sale prices. In many cases the domestic conditions needed for this could be produced with careful organization, and with little extra expenditure.

Active relationship activity is an essential element of foreign market work. In part this means looking for new markets; in part it means maintaining an appropriate ratio among existing ones. The export of slaughter sheep is a good example of the former; in the course of the 1970's we succeeded in breaking into a number of new markets with active market research work. For example, we made significant deals in Libya, Lebanon, Tunisia, Iran, Jordan, Saudi Arabia and Algeria. A deliberate exploitation of the price level differences among the several markets could represent a further reserve for increasing foreign exchange receipts; at the same time, we should not give up the requirement of a lasting market presence in the interest of short-term profits.

An efficient foreign market organization is an important element for strengthening our competitiveness. In the interest of this goal we recently strengthened the role of foreign trade offices aiding market research and enterprise business activity. We want to increase the number of permanent enterprise representatives abroad.

The need to fulfill our export tasks and strengthen our competitiveness requires even closer cooperation among producers and foreign trade, a swifter spread of a linkage system better ensuring common interest and assumption of risk. We need flexible enterprise organizations capable of swift decision and action, capable of reviewing the entire path of the product from development through production to marketing, so that they can adapt to or exploit fast market changes in a short time.

A significant increase in the independence of foodstuffs industry enterprises in a number of special branches has produced good conditions for the realization of these goals, improving the market adaptability of enterprises participating in export.

One area, with broad prospects, for strengthening the links among producing and foreign trade enterprises is expanding direct cooperation with agricultural cooperatives. The cooperatives produce about half of the gross value of agricultural production and their share in the production of products for export is of similar magnitude. The possibility of choice has increased with the creation of new, broad profile foreign trade enterprises in the interest of broadening direct contact; granting parallel foreign trade rights has affected a number of products. Direct contacts will create favorable conditions for strengthening the export interest of cooperatives.

A swift and flexible satisfaction of foreign market needs will ensure us a lasting market, because we do not represent a determining weight on the world market with our products. Our homeland has a share of about one percent in the world export of foodstuffs, and our market share is considerable in the case of only a few products and product groups.

Those working in production and foreign trade, in central guidance and in the enterprises and cooperatives, have the common task of aiding the fulfillment of the tasks standing before our export of foodstuffs by improving foreign market competitiveness.

## DEFICIT IN NATIONAL BUDGET ANALYZED

Warsaw TRYBUNA LUDU in Polish 28 Sep 82 p 3

[Article by Ryszard Bilski: "Facing Deficit In State Budget--Behind the Subsidies Curtain"]

[Text] For a long time now the revenue that the state treasury has been receiving was insufficient for all its expenses. The deficit for this year has been estimated at the time of enacting the budgetary law at over 150 billion zlotys.

Particularly strong pressure is being exerted to increase the outlays for social programs. They are primarily tied to the implementation of important social aims. The outlays for health and education are more than sufficiently justified also, and maybe even more so, under the crisis conditions. On the other hand, one feels opposed to earmarking of huge sums for additional financing of the deficit that has been recorded in the production of many goods and in services.

As much as 479 billion zlotys have been appropriated for this measure in the budgetary law for the current year. A total and immediate elimination of subsidies from our economic practice is not feasible, and under the present social and economic conditions it is also not advisable, because it would have caused further sharp price rises, including the prices of many products of fundamental importance for the population. But a methodic restriction of subsidies is advisable and necessary.

The scale of surcharges for food, industrial products, services, agricultural supplies, etc. is enormous. These outlays reach 20 percent of all budgetary expenditures.

Whether in the old orders-type system, or the new one, parametric system, behind the subsidies curtain as a rule hide: Uneconomical management, mess, waste. Excessive subsidies increase the social costs of production.

The system of subsidizing manufacture of some products and services now in force, has encountered sharp criticism by the members of Sejm at this year's budgetary debate. At the conclusive session of the Sejm's Commission on Economic Plan, Budget and Finance the members of Sejm, while accepting the budgetary draft law, have obligated the Ministry of Finance to analyze the subsidies again and to work out a long-range policy in this area.

The detailed analyses of costs and of profitability of the enterprises receiving subsidies, conducted by the district Boards for State Income and Financial Control, have not only confirmed the views about the incorrect subsidies policy, but have also revealed many new, unknown shortcomings and irregularities.

Among other things, it was disclosed that the subsidies rates were too high. Their amounts were set on the basis of usually overestimated costs. At the beginning of the year, the enterprises did not have all the information about the prices, power, etc., they used imprecise conversion factors. The calculations prepared by them included, therefore, a wide margin of safety. But, after those obstacles had been removed, when the true production costs could be figured out, none of the enterprises has given up its subsidy. Paradoxical situations arose: On one hand, an enterprise receives a subsidy, on the other hand, it pays taxes on its high profits!

The inspectors have also pointed out a number of other sources and possibilities of cutting the state budget's burden. Some enterprises for lack of certain raw materials used other, less expensive ones. This was the case, for example, in the fodder industry, where the production costs were lowered as a consequence of introducing less expensive, domestic components. However, somehow nobody has voluntarily suggested lowering the subsidy.

Some enterprises and ministries hike the subsidies rates by overestimating the so-called risk and degree of uncertainty. Citing considerable difficulties in deep-sea fishing, the fishing industry has requested at first a subsidy of 21 billion zlotys, afterwards it accepted 17 billion zlotys, now it is willing to receive 12 billion zlotys, while the Ministry of Finance maintains that 9-10 billion should suffice....

Full compensation received by the meat industry for the difference between the old and the new procurement prices resulted in attaining (especially by the enterprises making higher quality meat products) very high profitability by this ministry. According to experts, a 70-80 percent compensation subsidy would be sufficient.

These and other corrections, as well as reduction of subsidies resulting from the production slow-down, will decrease the state budget's burden by around 40 billion zlotys this year.

It has turned out also that in one flour mill a ton of rye flour costs 18,000 zlotys, in another exactly twice as much. The enterprises of CRS "Samopomoc Chlopska" make the same fodder considerably cheaper than "Bacutil" does. In the production of cement and many other products we encounter similar situations.

The targets of subsidies should be those areas which from society's point of view (maintaining necessary production levels, keeping the prices down, etc.) are truly necessary. This principle should not be stretched to cover each production activity and each product. The subsidy, the amount of assistance received from the budget, cannot be the result of bargaining or a chance. It is becoming imperative that subsidy regulations be formulated in a clear and simply way, also keeping in mind the elimination of such outlays.



What should the simple, clear, just, equal-for-all principles be like? Does this uniformity and justice mean that, let us say, all the producers of rye flour (subsidies amounting to as high as 63 percent of its sale price!) will receive the same amount of subsidies? Would this be just if one flour mill is modern and efficient, while another one must be repaired often and most of the time is idle? Thanks to the subsidies, the first flour mill would easily attain high profit, the second one would barely make ends meet.

Should not, therefore, the subsidy rates be set on the basis of the real individual production costs? In order to utilize the subsidies as a mobilizing factor in lowering the costs, introducing organizational and technical progress, etc., variable rates can be introduced; for instance: In the first quarter--20 percent; in the second one--18 percent; in the third one--16 percent; in the fourth one--14 percent.

Subsidies cannot continue to cover up errors in the costs and income-price policy. They cannot camouflage lack of ability to predict the future and of long-range thinking.

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CSO: 2600/16

# CHRONIC PROBLEMS OF RAIL SYSTEM EXAMINED

Warsaw ZYCIE GOSPODARCZE in Polish No 34, 12 Sep 82 p 4

[Article by Krzysztof Fronczak: "Polish State Railways in the Old Rut"]

[Text] In a column carried in ZYCIE GOSPODARCZE, in February 1981, i.e., during the sudden decrease in coal transport, I cited the opinion of Silesian railroadmen that Silesian miners would sooner be able to raise the output of coal to the level of "fat" years than it would be possible to overcome results of many years of neglect on the railroads. These words have been borne out completely. The "respite" on the railroad is over, and the motor transport cannot be relied upon at a time of acute fuel crisis and substantial rise of costs. The excess of the carrying capacity of the Polish State Railroads [PKP] over the needs of the economy is again a thing of the past.

During the first half of this year, 194 million tons of goods have been carried by rail (compared to 200.5 million tons in the past year); the corresponding figures for motor transport are 275 million tons (387 million tons in the previous year). The traffic on the railroads has thus picked up considerably, although the comparison of this year's data with the past year, which was certainly not the hardest of times for the PKP, may not be the best measure. More causes for apprehension stem from the fact that, from late May into early June of this year, literally from week to week, the excess of PKP carrying capacity over the needs of the economy came to an end; this situation, worsening further, will curb the process of restoring balance in the nation's economy. Since there is no motor transport alternative, the discrepancy between transportation capacity and needs will increase even more. The transport peak period in the fall will further increase the PKP workload and will remind us of the old song about the sick railroad magnate with chronic asthma.

The growth of rail transport results not only from a certain enlivening of industrial output, particularly pronounced in mining, and restrictions in the use of motor transport. /Changes have been introduced to mandatory regulations limiting the access to railroads./ Back in December 1980, the

minister of transportation abolished the 1977 regulation limiting the acceptance of certain types of loads for rail transportation and specifying the size of freight loads acceptable to PKP. Railroads now must accept all freight loads regardless of the transportation distance and whether the assignment concerns several cars, a special route or just a single freight car. In this connection, the practice has been discontinued of carrying coal by special trains to assigned receiving points from where it was locally transported by motor vehicle. The regulation of November 1980 has also been lifted that bound the rail customers to so-called rational directions of transportation. This has led to a switching of large masses of goods from motor vehicles to railroad cars.

On the other hand, tensions caused by uneven flow of freight loads have intensified. Sunday loading volumes in 1981 dropped on average by some 60 percent, and on Saturdays, by some 40 percent, compared to tasks on the same days in 1979. In connection with the change in the work rate of the mining industry, this phenomenon has been alleviated in the current year, but not eliminated completely.

Such is a brief, telegraphic outline of PKP's present working realities. In regard to the railroad's obligations, they do not differ substantially from those of nearly 2 years ago. Unfortunately, little has also changed in the technical and organizational base which is to fulfill these obligations; in fact, one can even speak of a decline. After all, the memory is still fresh about alarm signals sounded, in particular, by the press not too long ago, before the short-lived slackening in the transport situation, that the railroad is a sick nerve of the national economy. The problem, thus, deserves a closer look.

#### On the Road

A reminder that railroads are discharging and will discharge a prime function in freight load transportation verges on commonplace. For one thing, this is indicated by statistics. In 1970, railroads transported 371 million tons of freight, in the peak year, 1978, 479 million tons, and in 1981, 394 million tons. The plan for the current year envisages 420 million tons of freight. During the past decade, the annual passenger volume exceeded 1 billion. These numbers speak for themselves. An appropriate commentary to them and a clear sign of the progressing paralysis, stem from a basic indicator describing the capacity of this system--the continually longer railroad-car turnover measured in days. In the years mentioned above, it was 4.53, 5.01 and 5.21 respectively, and the current year has brought no improvement; therefore, the indicator has continuously increased, even in spite of the drop in transport volume.

We have in Poland 24,000 km of standard-track railroads. Their average transport workload amounts to 14 million ton-km gross per 1 km of operating line (in 1978); however, e.g., the workload on the Katowice-Wroclaw, Katowice-Karsznice-Gdynia and Katowice-Warsaw lines ranges from 40 to 50 million gross ton-km per 1 km; this clearly indicates both from where and to where the greatest amount of freight is transported, as well as the huge

overloading of these routes. The capacity on 60 basic segments of transportation lines is already being utilized completely. A similar situation exists at 69 of 102 switching stations which have to work without interruptions for maintenance and repair. Of the 23 stations that perform the bulk of the switching operations, only 17 are furnished with track brakes and hardly half of the 102 stations have equipment for electrical control of switches.

Only 3.8 percent of the railroads are equipped with automatic line block systems, 53 percent with semiautomatic block system, while on almost one-third the trains are still announced by telephone, a practice surviving from the time of the Warsaw-Vienna railroad. The technical condition of some of the safety devices of the railroad traffic is catastrophic and is not surprising, since some of them are 60 to 70 years old--more valuable for a museum than for practice.

Only 21 percent of the rails on the principal tracks are heavy duty rails capable of bearing big loads; 23 percent are light rails that have been in operation over two decades and in all respects fail to comply with present-day technical requirements.

Twenty-six percent of rail cross-ties have exceeded the standard service life of 16 years, and one-tenth of this number have been used almost 30 years on the track. Thirty percent of the railroad turnouts have been in operation over 25 years, although the admissible service time is 14; for the most part, these are light turnouts which are not designed for heavy loads.

The inputs of manual labor for routine maintenance of tracks have been declining continually--in 1968 the index was 0.31 worker-km, compared to 0.23 in 1979, although with the existing technology the required indicator is 0.64. This is not compensated by the rate of growth of railroad mechanization. It is not surprising, therefore, that backlogs in replacement of roadbed in 1980 amounted to as much as 6,200 km of main tracks and 3,500 km of station tracks. Ever fewer people are willing to work on the railroad--employment in the road service decreased between 1971 and 1975 by 3,100 persons, and by 1979 it further dropped by 4,000 workers.

Fifteen percent of the bridges and viaducts on the routes fail to meet the operation requirements, and every fifth structure has welding defects.

Less than one-third of the railroad network is adapted to electric traction. The fast pace of electrification efforts in 1960-70 later came to an equally fast stop. Due to limitations of capital investment outlays or plain bans on new investment, as well as to energy restrictions (with the power lines becoming idle already after several months of operation on some segments), the program of adaptation to electric traction never succeeded in climbing out of the "valley"; for many years, one could only dream of bringing into electric operation the optimum 400-500 km annually.

Every day 7,400 passenger trains and 6,000 freight trains are moving on these routes. The condition of the railroads is responsible for the decline in the rate of speed from year to year, a regularity observed for at least a decade and a half. Official data of the Ministry of Transportation in fact indicate, e.g., that the average commercial speed of a freight train was in 1981 equal to 19.4 km/hr, while passenger trains were not much faster. Stephenson must be turning in his grave.

#### No Reserves

There are days when 50,000 freight cars stand idle due to disrepair. This is particularly severe for the PKP, because, lately, supply of new cars has been curtailed considerably. It is true that in 1971-1980 supply of freight cars was 23.6 percent higher than in the previous decade, but the transport load of PKP has in the meantime grown incommensurately. This resulted in reduced discarding of worn-out rolling stock which is decrepit but is kept running by enormous outlays of funds and labor. In 1979 the mean age of discarded coal cars was nearly 30 years, and flat cars, 43 years, whereas 24 years is the optimum service life for these two types.

Particularly disconcerting is the decline in the number of box cars. In 1971, the railroads received 3,000 such cars, in 1977, 1,000, and in 1979, just 15 cars. Discarding continues, and new cars are not available; this is, however, the type of car most needed today, because the railroads are taking over loads previously carried by motor vehicles, including market commodities that must be protected from the effects of weather.

PKP virtually lacks a reserve of free freight cars. In order to be able to respond flexibly to the needs of customers, the so-called temporary reserve should number some 7,500 cars, while today, it has gone down to 800. Under conditions of an uneven flow of freight, and the 5-day work week in industry, the importance of reserves can hardly be overestimated, but to acquire this reserve is no less difficult.

The situation is similar with passenger cars. Their supply in 1971-1980 was 64 percent higher than in the previous decade, but was still trailing far behind the demand. For this reason, it was impossible to pull out of operation even old cars over 25 years of age. The crowded conditions in the trains as measured by the number of passengers per listed seat presented the following picture: in 1975, 1,439 passengers; in 1979, 1,306; and in 1980, 1,320. These are purely statistical calculations, because the number of listed seats is greater than those in actual use. Curiously, the degree of utilization of seats in express trains in 1981 was 61 percent (compared to 58 percent in 1980). An equally interesting statistic would be an indicator for the utilization of seats in commuter trains. Limitations in motor transportation certainly produce their own effects.

Locomotives also operate without reserves. At the turn of 1979-1980 the so-called balance reserve, which is supposed to be 13 percent of the average annual demand, was continually included for operation, and not only on peak days. It will be recalled that we will have to wait a long



time before taking leave of steam locomotives. In 1980, they performed 7.2 percent of the total transportation workload, electric locomotives, 61.1 percent, and diesel locomotives, 31.7 percent. The rising cost of liquid fuel and the large problems with spare parts for diesel locomotives have restored the popularity to the old steam engines.

I will not dwell on the issue of who demolishes railroad cars and where this occurs. This is a commonly known fact--the rolling stock is destroyed by clients and railroadmen. Under the circumstances, a paradoxical development was the elimination of the Railroad Car Inspection Agency which was as useful as it was short-lived. Experts note ironically that the Railroad Car Inspection Agency failed to fulfill its function, because the fact of its existence did not decrease the number of destroyed cars, thereby depriving it of a reason for existence. Identification of those guilty of destruction, however, had the advantage that at least they had to fear the consequences of their conduct.

The question as to why the number of units in disrepair (including locomotives) is on the increase can be also answered from a different viewpoint. The rolling stock is frequently exploited up to the point of physical demolition, because the technical facilities of PKP totally disregard the needs of transport. While the technology has advanced and modern trains have gone into operation, their service never emerged from the earliest stages of the steam epoch.

#### Almost Illusory Service

Three-quarters of the locomotive shops and car shops originated in the pre-war years. Only 42 car shops (of 64 existing ones) and 28 suburban repair departments (of 69) have inspection and repair facilities. For adequate maintenance of cars, 1,200 servicing bays are necessary, and only 710 are available. Half of the machine tools and machines in the car shops are over 20 years old. Of 47 car wash installations, only 2 were built after the war, and of 250 servicing and switching stations, only Warsaw-Grochow is adequately equipped (although, judging from the service standard, it, too, consistently fails to put its capabilities to the best possible use--this is, however, just a passenger's comment). A measure characterizing the technical equipment and the quality of the service and repair facilities for the cars is the ratio of the outlays for the facilities to the value of rolling stock acquired. In 1971-1975, this ratio was 4.6, and in 1976-1980, it was 8.4. The appropriate ratio should be 10.

In the locomotive shops, the situation is equally deplorable: 43 installations (of 135) should have long ago been dismantled. Only 20 are sufficiently suitable for maintenance and repair of modern transport. Maintenance of the locomotives requires 1,500 servicing bays--but only 270 indoor servicing bays for inspection and repair are available. There is an annual shortage of 1,000 inspection and repair bays for diesel locomotives, 430 for electric locomotive units and 300 for electric locomotives. As with the car shops, the measure characterizing the technical equipment level of the locomotive repair facilities should amount to 15-18 percent of the cost of locomotives. In 1961-1975, it was 5.25, and in 1976-1980, 14.9.

As a natural continuation in this gloomy chain of shortcomings, we have the situation at Railroad Rolling Stock Repair Shops [ZNTK]. Nearly 80 percent of the ZNTK installations were built before 1945, while 18 shops are older than 50 years. Of nearly 6,000 machine tools in stock, over two-thirds are completely amortized. The labor conditions at ZNTK are extremely difficult under conditions of continuing noise, dust, and frequently outdoor work in any weather because of insufficient numbers of repair facilities. There is also a shortage of people willing to work under such conditions. Employment in repair shops decreased, i.e., from 56,600 in 1972 to 44,200 in May 1982. Particularly large drops in employment occurred during the last quarter of the past year, when 2,050 workers availed themselves of the new regulations and went into an early retirement.

Even this modest repair potential of ZNTK cannot, however, be utilized completely because of the very poor supply of materials indispensable for repairs. This is supported by such facts as: during the first 4 months of this year ZNTK received only 800 kg of varnish (compared to an annual requirement of 6 tons); the Piastow "STOMIL" works supplied only 26,000 metal and rubber articles (compared to an annual requirement of 150,000 articles); and the metallurgy industry is late with supplies of rims, steel pipes, wire and cable. Of the 200 tons of nails ordered, the industry delivered "as much as" 4 tons!

The results of these situations obviously affect the quality and quantity of repaired rolling stock. It will also be recalled that it comes to ZNTK frequently in a state of complete "dilapidation," because inspection at car shops and locomotive shops is frequently specious. The plan for the current year, for example, provides for the following fulfillment of the repair needs of PKP by ZNTK: diesel locomotives--58.7 percent, including high-power diesel locomotives--42.8 percent; electric locomotives--85.8 percent; electric locomotive units--75.5 percent; steam locomotives--78 percent; freight cars--82.5 percent; and passenger cars--94.9 percent. Similar, although perhaps slightly better, indicators were registered in the past few years. For several years now, the fact that the system is still running verges on a miracle. The railroadmen themselves make those everyday miracles by patching up the rolling stock by all possible means, but no one should be in doubt as to the consequences of this patching.

#### A Look at the Budget

Speaking at a forum of the parliamentary commission for communications and transportation, Minister Janusz Kaminski simply said that subsidies compensating for the deficit in passenger and freight transportation in the current year will amount to a total of 130.7 billion zlotys. The rates implemented on 1 January 1982, for transportation of freight by the national railroads and river fleets and raised by 165 percent, and motor transport, by 118 percent, did not make it possible, in connection with the continuing growth in producer and retail prices of supplies and equipment, to overcome this deficit in these transportation areas. This necessitates subsidies of 41.1 billion zlotys, and in passenger transport, 89.3 billion zlotys. The cost of carrying one passenger by rail for a distance of 1 km amounts to

150 grosz, compared to the profit of just 24 grosz, and on the other hand, 1.8 grosz for transportation of students and 9.6 grosz for workers.

/The budget of the transportation ministry for the current year showed 33.7 billion zlotys in revenues and 189.6 billion zlotys in expenditures./ PKP bears a sizable share in this deficit. The coverage of PKP prime costs by revenues from transportation service amounted to, in passenger services, 20.2 percent in 1981 and 19.3 percent in the plan for the current year, whereas the figures for freight cargo were 82.3 percent and 84.7 percent, respectively.

Conditions for implementation of investments were changed in January. Investment allotments were established exclusively for budget units, while funds for central investments were provided from the state budget. The enterprises operating on the principle of self-financing have to make their investment from their own financial sources, or make use of bank credit. As an enterprise with such large deficits in transport, PKP has found itself in a particularly difficult situation. This is also to be reflected in the structure of investments being made. There are fewer expensive projects and more small-scale projects aimed at modernization and renovation.

A comparison of investment outlays in the current year with by no means affluent previous years also cannot instill optimism. In 1978 prices, investment outlays in 1980 amounted to 19.1 billion zlotys, and in 1981, 13.4 billion zlotys, and the plan for the current year includes a total of 11.9 billion zlotys. The distribution of these modest sums, however, may be regarded as a promise of more efficient management (although in the past one was hard put to keep a rational approach with such proverbial shortages): in the current year, 17.2 percent of the funds allocated to the General Directorate of PKP are earmarked for adaptation of railroad lines to electric traction (the plan for the coming 3 years: 1982--316 km, 1983--317 km and 1984--394 km); 15.5 percent for new lines and second tracks; 17.6 percent for technical facilities and 31.9 percent for housing construction.

There can be no doubt that it is impossible to depict on a few typescript pages the deplorable condition of the Polish State Railroads and its working partner, the Railroad Rolling Stock Repair Shops. I believe, however, that even this sketchy outline will show how far advanced is this disease of an organism that at one time boasted steadfast traditions and a model organization. We are not speaking any longer of the prestige of railroadmen's profession, which is today as problematic as that of PKP, which in actual fact has long since lost its former reputation. This pertains to something much more specific--namely, the fact that /transport is a factor that exerts a direct or indirect influence on the base of social and economic growth, and under conditions in which we currently live, will affect the pace at which the national economy will regain its natural rhythm./

The period of lowering the pressure on the railroads due to the crisis was short--much shorter than was expected initially--and there was not enough time for taking a deeper breath. Unfortunately, PKP's life has returned to the old pothole-ridden rut. This could not have been otherwise, however, since neglect at PKP is of a deep, structural nature.

Railroads never had any luck with long-term consistent action. The five-year plan for transportation development that was drafted in 1975 and aimed at bringing, by 1980, the carrying capacity in line with the national economy's needs was, during the course of its implementation, systematically divested of subsequent elements under the pretext of falsely understood ideas of savings that resulted in the present severe inefficiency in the railroad transport system. In this respect, it is not only railroadmen who now pin their hopes on the three-year plan currently under discussion.

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## GLIGOROV NOTES SOCIAL IMPLICATIONS OF ECONOMIC CRISIS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 29 Sep 82 pp 1-2

[Article by B. Djurovic based on an address of Kiro Gligorov, head of a working group of the Commission of Federal Social Councils for Drafting the Long-Range Economic Stabilization Program: "Labor Saving as a Condition for Continuous Growth of Income"]

[Text] When we speak about carrying out the economic stabilization program, it is indispensable for me to mention that it cannot be reduced to the sum of economic changes, however important, well-thought-out and justified they might be unless there is a parallel consideration of the social side of this set of problems, that is, of the entire context of economic and social changes and measures that lie ahead, said Kiro Gligorov, head of a working group of the Commission of Federal Social Councils for Drafting the Long-Range Economic Stabilization Program on directions of efforts to carry out that program in his introductory address delivered in a meeting of the Club of Delegates of the Yugoslav Assembly.

No very important changes of the present situation can be carried out unless aspects of the political and legal system are borne in mind. In the context of the accumulated contradictions in society and the crisis situation in the economy, all social undertakings must be comprehensively examined from these three standpoints. Put in concrete terms, it is difficult to imagine introducing more difficult conditions for the conduct of economic activity in associated labor and demanding qualitative results in economic performance and full economic accountability of every economic entity, or economic valuation of, say, rents, unless all the consequences are at the same time drawn for the sphere of social welfare policy, without asking who will bear the burden of such an operation and what are their economic capabilities, and unless changes have been envisaged and proposed in the organization and operation of sociopolitical organizations and sociopolitical communities and concerning the place and role of delegate assemblies and especially executive agencies of the government.

Associated labor, Gligorov said, which will be expected to give the most, has the right to demand both a different mode of operation and responsibility on the part of all institutions and to demand that the organizations of government and political agencies and administrative staffs conform fully to such efforts.



Work on the long-range stabilization program shows that making it operational, that is, translating it into measures which are altogether practical, will be a task of exceptional importance. That is, although in each of the parts of the stabilization program the policy strategy, stages and measures to be undertaken are set forth, the proposals have to be further elaborated. I am thinking of the need to enact transitional measures, to quantify the proposals, to honor the time dimension and also to honor the differences which undoubtedly exist from one republic or province to another, which should be taken into account, and details which cannot be covered in a work of this kind and for which specialized bodies must prepare further proposals. This is an essential and urgent task whose successful completion will be crucial to whether the long-range stabilization program goes into effect even in 1983.

Speaking further on commodity-money relations and economic laws, Gligorov emphasized that the monetary system is the backbone of our economy and of the economic mechanism, and that the dinar is the yardstick without which it is not possible to ascertain a single economic result nor the result of the individual contribution on the basis of distribution according to work. The repercussions of this are numerous.

In the order of priority of the stabilization steps, putting order in the foreign exchange system is one of the most important priorities. All foreign exchange transactions must, regardless of who conducts them and with what justification, have to be prevented in the very near future, as has been emphasized in the resolutions adopted by the LCY Central Committee last week. Of course, in and of itself this measure will not mean much if the rate of exchange sketched out in the component of the program entitled "Foreign Economic Relations" is not as a whole taken as the basis of all other measures leading toward convertibility of the dinar. As for the transitional period, a separate section of that component elaborates the policy which should make it possible to get out of the present situation and gradually return to normal relations in the foreign exchange system.

Almost the same words can be used in speaking about the foreign exchange system and the system of foreign economic relations. Here again it is a question of money, only of foreign money, of money which has to be earned in international competition. Is it possible to conduct any sort of development in economic policy under conditions when the dinar does not have sovereignty in the unified economic space of Yugoslavia. What in that case is the measure of value in our country? Who is to establish relations between the dinar and foreign currencies, how is this to be done, what criterion is to govern this, when they are both circulating side by side in payments...?

Countless questions are raised in this connection, but the main one is this: Can the domestic value system and the dinar, as a measure of value and price, perform its role under these conditions? A foreign body has been introduced into our internal process of value formation, dual standards are applied as needed, and the economic confusion simply increases on that basis, from the individual citizen to aggregate social accounts and planning. Only by bringing the dinar back to health can we increase motivation to export and change the attitude toward foreign exchange, not the other way about.

Just as we forecast the size of the social product and income and the level of productivity that will be achieved, so we should also plan relations with foreign countries, not forgetting that in relations with foreign countries we are a single economic region and market, so that the payments-balance position should not be turned into the kind of operational instrument which in any case does not exist in our system. Least of all is it possible where relations with foreign countries are intertwined, Gligorov emphasized and stress. that economy of labor and capital is not an end in itself, but a condition for steady growth of income not just to satisfy immediate needs, but also as the basis for reproduction on an expanded scale. How do matters stand here? Let us start with the use of the resources of society and saving. Why is it, when we talk so much about pooling labor and capital, that every opstina, republic and province, almost without exception, considers it best to invest the dinar of its saving on its own territory, when possible as narrowly as possible, within the opstina, and in many quarters the possible inevitability of investing something in some other place is looked upon almost as a loss. Is that a natural motivation which can be taken as the driving force of our sociopolitical communities?

Differences from one sector of the economy to the other are, of course, unjustified, whatever standard of measurement we use, and they are the result of various administrative interventions. The alternate freezing and thawing of prices reflect the autarkic nature of the Yugoslav economy and the inconsistency of development and economic policy. Nor do they reflect the principle that approximately the same income can be anticipated for the same quality and quantity of work and business operation. Personal incomes vary greatly regardless of whether the business conditions are the same, better or worse.

In the Central Committee at the present time, along with many other concrete resolutions, there is a proposal to reassess the possibility of floating a national loan. Taken in isolation, this is a good thing. However, if this were to be conducted simultaneously with the introduction of economic rents, one or the other has to suffer. An examination should be made of the advantages or shortcomings of one or the other and one of them chosen, but this cannot be examined in isolation. It seems to me that it is better, that the same results can be achieved along with other additional constructive economic consequences if we choose economic rents and if in that way we begin by introducing in an important sphere, in the sphere which contains the major portion of our national wealth, sound economic reasoning and a sound economic attitude toward use of a resource in which the price and costs are known, Kiro Gligorov said at the end of his address.

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CROATIAN ECONOMIC COOPERATION WITH OTHER REPUBLICS

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 24 Sep 82 p 4

[Article by Jasan Grubic: "Without Lasting Ties Based on Income Sharing"]

[Text] Common interests and goals and priorities in development have to be defined and reconciled as fully as possible within the framework of the agreed main directions of development.

Although over the 1.5 years of the current medium-term planning period OUR's [organizations of associated labor] from Croatia have concluded 70 self-management accords concerning 53 joint development programs with partners in the economically underdeveloped republics and the Province of Kosovo, committing thereby 7.9 billion dinars, or 22.3 percent of the possible resources of the Federal Fund for Underdeveloped Regions envisaged in Croatia for pooling on an income-sharing basis by 1985, as well as 949 million of their own savings which they pooled, it cannot be said that these processes are keeping pace with the real potential and needs of associated labor.

The causes of the relatively slow pace in the pooling of labor and capital lie above all in the low accumulative and reproductive capacity of the OUR's, in the large and economically unjustified differences in conditions for conduct of economic activity and realization of income, in the economic position of economic entities which are mutually dependent in the process of reproduction. The causes should also be sought in the insufficient respect paid to economic laws and market criteria in the conduct of business, the disjointedness, incompleteness and inconsistent enforcement of the solutions embodying the system and the measures of economic policy, and then in the very strongly pronounced inflationary tendencies, the instability of economic flows, as well as in the problems and difficulties in development and in the functioning of the unified Yugoslav market. To this we should also add the problems of "measuring" the size of the share of the pooled resources of the fund in joint projects, the complicated procedure for commitment of those resources, lateness in passage of the normative regulations and specific administrative measures for channeling those resources.

## Bosnia-Hercegovina: Strong Emphasis on the Manufacturing Phase

With respect to relations with Bosnia-Hercegovina some of these causes and problems are reflected most strikingly, according to assessments of the competent bodies in the Economic Chamber of Croatia, in the sector of ferrous metallurgy. The primary phase is being neglected in its development, while the secondary phase is being favored, and due consideration is not being given to the manufacturing capacities that already exist in the other republics and provinces and whose construction was based on raw materials and other resources in Bosnia-Hercegovina. The Zenica Mining and Metallurgical Combine is thus programming construction of metal-manufacturing plants whose completion in 1985 would mean that it would consume a large portion of its own steel and all available amounts of gray pig iron. In practical terms this means that traditional customers will be left without the necessary semifinished products which they have up to now been obtaining from this supplier, and that will further deepen structural disproportions and cause harmful consequences for the country's entire socioeconomic development. That is why competent authorities in Croatia must strive to have development of the capacities of ferrous (and nonferrous) metallurgy coordinated at the national level.

Another open question is the possibility of pooling a portion of the resources of the fund for the program to rebuild that same combine's forge. Since nine major manufacturers in Croatia are interested in this investment project, but do not possess uncommitted capital of their own, it ought to be treated as reconstruction and expansion of a metal-manufacturing plant outside the metallurgical complex, in which the resources of the fund could participate up to 45 percent of the estimated cost of the project.

There is a similar situation with UNIS' program to build a roller bearing factory. It was agreed at first that the Croatian partners could pool as their share the resources which they pay into the fund. Later this was modified, in that the nine interested organizations were called upon to put up half of their share from the resources of their own reproduction or from other sources, which do not exist.

## Montenegro: Development Not in Line With the Demands of Customers

In contacts so far with OUR's in Montenegro it has been noted among other things that agreement does not exist between the planning documents of that republic and of the opstinas in it. The aspiration to achieve equal development and to build industrial plants in every commune regardless of whether the relevant conditions exist for the particular production operation is making it more difficult to make decisions on locations for various plants (the case of the bimetallic strip plant, which is "based" on the bearings factory in Kotor, but people are insisting on its being built in Danilovgrad). A discrepancy has also been noted between the direction of development of certain Montenegrin industrial plants and the requirements of those making plans in other republics and provinces. For example, provision has not been made to expand the pulp and paper plant in Ivanograd, though Croatia, Serbia and certain other republics have shown an interest in this. Likewise there is an interest in Croatia and on the part of OUR's from other parts of the country in carrying out

the program for production of aluminum foil, but the Titograd Aluminum Combine intends to develop production of aluminum fabrications in which customers outside that republic are not interested.

#### Macedonia: Two Alternatives for the Skopje Steel Mill

Particular emphasis is being put in Macedonia on the problem of investment to develop ferrous and nonferrous metallurgy; the pooling of a portion of the resources of the fund in those programs has been accepted in principle, but sizable additional capital is also being sought from possible partners. That is why there are two alternatives for development of the Skopje Steel Mill: with smaller investment, but also with a smaller new capacity (mainly for internal needs) and with a more substantial investment of quality dinar and foreign capital by metal manufacturers from the other republics in order to meet their needs. The Croatian economy is willing to pool capital for delivery of 80,000 tons of sheet per year, but it lacks the additional capital, since the investment is climbing to 1,900 dinars of the resources of the fund to be pooled per ton and to 1,100 dinars from other sources, not counting the foreign exchange portion to purchase imported equipment.

#### SAP [Socialist Autonomous Province] Kosovo: The Criteria Contained in the Compact Are the Largest Obstacle

Although OUR's from Croatia have so far pooled almost as much capital of the fund to carry out six joint programs in SAP Kosovo as the other four advanced federal units together (14 programs) and thereby covered half of the estimated amount for these investment undertakings, the problems which are arising as an obstacle to the pooling of labor and capital and establishment of income-sharing ties among OUR's which are mutually dependent in the process of reproduction have primarily resulted from the sporadic nature of business cooperation among economic entities up to now, but also from the criteria governing the commitment of resources contained in this province's social compact, which definitely represent an obstacle to these efforts. That is, the compact states that of the total amount of the resources of the fund one-third may be committed to cover obligations on projects begun previously (continuing investment projects), and 10 percent to stimulate the development of the economically underdeveloped opstinas and border zones of SAP Kosovo. That and the criterion that the investment per job may not exceed the limit of 1.6 to a possible 2 million dinars (in 1980 prices), is considerably narrowing the space for carrying out many programs, including those that have been offered from Croatia.

There is also the problem in Kosovo of selecting locations for particular projects, since every opstina is pulling for its "own" territory without paying sufficient consideration to the economic conditions, and there is also a shortage of creative personnel and OUR's are poorly organized.

#### Slovenia: Long-Term Business Ties

Along with the causes common to everyone and the specific difficulties holding back transformation of resources of the fund into investment capital pooled



through self-management on the basis of income sharing for mutually acceptable development programs, we will also indicate on this occasion the main directions of Croatia's economic cooperation with the advanced parts of the country.

Long-term business ties are continuing with Slovenia; OUR's of the two republics have found a common interest in them. The dominant subjects of concern in them are development of the fuel and power industry, especially building the first nuclear power plant in Krsko and preparation of construction of another joint power plant using nuclear fuel in Croatia, and then joint construction of thermal power plants at Kosovo coal mines. Emphasis is also being put on the production orientation in the chemical and petrochemical industry, on cooperation in the paper industry and agriculture, especially in the production of newsprint and sugar beets, and then on cooperation in the framework of the regional economic chambers of Bjelovar, Varazdin and Rijeka.

In view of the unsatisfactory supply of petroleum and petroleum derivatives to the Slovenian market, it was recently proposed in the talks between representatives of the two republics that in future regular supply be ensured only to those consumers who promptly set aside 17 percent of their inflow of foreign exchange to import these fuels. If these proposal is not accepted by all at the national level, Slovenia, it has been said, will be forced to halt those appropriations and use that amount for its own imports of petroleum and derivatives and in that way ensure unhindered production, especially production for export.

Because of the very difficult situation with residual fuel oil the representatives of Slovenia also proposed that a study be made in Croatia of the possibility of larger deliveries than those planned, and that under a specific arrangement--possibly in exchange for delivery of electric power. In view of the dinar and foreign exchange difficulties in obtaining the necessary quantities of imported petroleum, especially for better supply of residual fuel oil to the economy, agreement has been reached to make more use of the capacity of the INA [Zagreb Petroleum Industry] refinery (and also the one in Lendava), and that on the basis of refining petroleum for foreign suppliers, and from the foreign exchange earned thereby to import residual fuel oil to meet the needs of the two republics.

The difficulties of Iplas in Koper which arose in connection with the well-known situation concerning the pace of construction of the DINA petrochemical complex on Krk will be overcome by meeting the need for imported ethylene for the plants of the first phase of DINA and propylene to meet the needs of Iplas on the basis of exports of primary gasoline from the SOUR [Complex Organization of Associated Labor] INA to be finished in foreign refineries. That would make it possible for the producer in Koper to produce phthalic anhydride for Jugovinil and Chromes.

There is also room for OUR's from Slovenia in the programs for development of Crnec and Lonjsko Polje, especially since the International Bank for Reconstruction and Development has approved credit for those programs which could not be used because organizations in Croatia cannot put up the approximately

40 percent of their own share in dinars. But OUR's in Slovenia are interested in also developing agricultural land near Cakovec (reclamation projects), which would be used to produce sugar beets needed by the sugar mill in Ormoz.

#### **Serbia: So Far No Long-Range Concept of Cooperation**

Cooperation of OUR's from Croatia with the economy of Serbia has been assisted by the activity of various associations, including the economic chambers and general associations, but it cannot be said that it is keeping up with the timetable called for in the joint program. By and large solutions are being found to meet the requests of economic entities related to their current economic problems or medium-term commitments in development.

But that does not mean that the broader interests of associated labor have not been a topic of contacts between the chambers and other entities. The activities have concerned construction of fuel and power facilities in Serbia to meet the needs of the Croatian economy, and then joint solutions have been sought for development of the Croatian motor vehicle industry on the basis of the program conception of the Crvena Zastava Plants. An effort has also been under way to coordinate the production orientation in electronics between RIZ [Zagreb Radio Industry] and the Electronics Industry of Nis, and then to guide production of the steel mills at Smederevo and Sisak as a function of OUR's which are users of their products, and this cooperation will also include joint financing of new capacities.

Cooperation with Serbia is also characterized by the interventionist role of the economic chambers. They have acted as intermediaries in various sectors, above all concerning nonperformance of contract obligations in delivery of production materials as in the case of the Bor Copper Mine and Smelter with Elka, the Smederevo Steel Mill with Plamen of Slavonski Brod, MLN of Nis with Jadar of Split.... The chambers also had to "become involved" concerning withdrawal from the contract on joint development of RIZ and the Nis Electronics Industry concerning construction of identical plants for electric light sources (TEZ [Electric Lamp Factory] and the Nis Electronics Industry).

It is constructive that the two chambers have endeavored to raise this cooperation to a higher level through enactment of a joint program of activities over a specified period of time. It has been proposed to the Economic Chamber of Serbia that joint development programs be undertaken in SAP Kosovo as well, especially with respect to expanding the Trepca Mining and Metallurgical Combine in connection with lead and zinc production. The economic cooperation between the two republics would thereby take on a more organized form, and the linkage of the OUR's around long-range concepts for the pooling of labor and capital would yield considerably better results.

#### **SAP Vojvodina: Highly Diverse, But on a Purchase-Sale Basis**

Relations of OUR's and their associations in Croatia with economic entities in SAP Vojvodina are fairly well developed, and even very intensive in certain activities. High-yield varieties of wheat raised in the Novi Sad and Zagreb institutes are being planted in the fields of Croatia and Vojvodina.

Scientific advances in the production of hybrid corn, sunflowers, sugar beets and other field crops are also being exchanged, and there is also close cooperation in development of the technology for livestock production. Joint conferences of specialists are being held, there are agreements on prices of major projects, information is exchanged on the harvest and planting, specialized journals and scientific papers are regularly sent back and forth....

The exchange of material goods has also developed to mutual benefit. The Belje Agroindustrial Combine has very ramified trade relations with neighboring combines in Vojvodina whose products are on sale in Croatia generally, especially in the tourist area of Dalmatia and Istria. Livestock raising organizations are delivering calves and young beef cattle to fattening facilities in Vojvodina to meet the needs of the Croatian market for meat, but Vojvodina is also exporting a portion of this. Meat processors also have their warehouses in Croatia, and they are important suppliers of consumer centers in this republic as well.

But here again it must be said that in this fairly diverse business collaboration there is a lack of long-term and income-sharing linkage between producers and consumers of foodstuffs. Especially since the present purchase-sale forms of cooperation need to be supplanted more rapidly by the new pooling of labor and capital through self-management, especially concerning joint products and joint revenues and income, whereby the results will be increased several times over, especially if mutual interests and needs of production, processing and consumption, especially the export of food, are better organized and coordinated in the agroindustrial complex of the two sides.

Certainly the two federal units do have an interest in building joint fuel and power facilities, in the exploration and transport of petroleum and gas, and that not only abroad, as has been the case up to now (Korea, Gabon, Angola), but within the country as well. Cooperation should be achieved as soon as possible between Naftaplin and Naftagas in building a platform for offshore oil and gas exploration, which would be based on joint technology. Cooperation should also be intensified in the production of agricultural machines--from combines to machine attachments, an effort that involves Djuro Djakovic, OLT [not further identified], Torpedo and Temo Vinkovic in Croatia, and Lifam, Pobjeda and LTZ [not further identified] in Vojvodina. The production of diesel switching locomotives, special railroad cars, especially tank cars, could be advanced on a business basis (Djuro Djakovic and Janko Gredelj with Biststvo of Subotica), as well as relations between Prvomajska and Potisje of Ada in building a machine tool factory in Mexico, TEZ and Tesla of Pancevo in joint programming of long-range development, Jugoturbina and Dunavbrod in joint construction of ships for the Soviet Union, INA and the Pancevo Chemical Industry, as well as between Petrokem and Naftahem in Novi Sad.

There is obviously a need, it was emphasized in the Economic Chamber of Croatia, for decisive and more complete commitment at all levels and organizational forms in our society and for encouragement of the processes of pooling of labor and capital and establishment of income-sharing links among OUR's which are mutually dependent in reproduction, especially those from the advanced republics (including Croatia and the Province of Vojvodina) with

in entities in the underdeveloped regions of the country in order to satisfy their common interests. This presupposes that associated labor first make a critical examination and assessment of what has been achieved so far in this area as well as of the shortcomings, problems and causes of the slow pace on the new foundations conforming to the self-management conception, and there is also a need for the bodies of self-management to prepare more specific programs of their activities and to become involved in the more intensive development of these processes.

Associated labor has an essential interest in reassessment, amendment and supplementation of development plans for the current medium-term period, and that at all levels, so as to achieve consistency with the real material capabilities and available financial resources. Within the framework of the agreed main directions of development, common interests, goals and priorities in development should be defined and reconciled as fully as possible. Exports and import substitution must be an urgent task in the sphere of production and services so as to correct the present difficulties and problems of disproportions in the economic structure more rapidly and to create conditions more rapidly for the country's more stable overall economic and social prosperity.

#### [Box] Seventy Agreements Covering 53 Joint Programs

Of the 70 self-management accords which OUR's of Croatia have concluded with partners from the economically underdeveloped republics and the Province of Kosovo 43 are already being carried out, which means that the necessary consents have been attained and that the pooled capital has been "put into circulation," while concerning 27 of them verification is being awaited from competent authorities in the federal units where those projects are to be built.

The estimated cost of the 32 joint programs with OUR's in Bosnia-Herzegovina amounts to more than 32 billion dinars, in which the resources of the Federal Fund for Underdeveloped Regions will be 4.4 billion and the "own" capital of participants from Croatia 746 million dinars. The estimated cost of the three programs in Montenegro is 236 million, in which the resources of the fund comprise 123.6 million and additional capital 92.2 million dinars. The estimated cost of the six joint programs with organizations in SAP Kosovo climbs to 3.8 billion, in which resources of the fund account for nearly 1.9 billion; and the 12 programs which will be carried out in Macedonia have an estimated cost of 5 billion dinars, in which the resources of the fund amount to 1.47 billion and the additional "own" capital of Croatian OUR's is 110.9 million dinars.

In practice this means that in 1.5 years of the current medium-term planning period 22.3 percent of the total 5-year obligation of Croatia to the fund has been activated (50 percent of the 70.9 billion dinars in current prices which are to be furnished through pooling labor and capital on an income-sharing basis and on the basis of common interests). The 70 accords which have been concluded break down as follows by years: 1981--67.7 percent of the republic obligation of 4 billion dinars; 1982--62.3 percent of the obligation of 5.9 billion dinars; 1983--14.7 percent of the obligation amounting to 7.2 billion; in the next to the last year of this medium-term period 3.7 percent of the obligation amounting to 8.6 billion; and in 1985--0.4 percent of Croatia's obligation to the fund, which amounts to 9.6 billion dinars.

It is evident, according to the assessment in the Economic Chamber of Croatia, that investments with OUR's in Bosnia-Herzegovina and Macedonia are considerably greater than with organizations in SAP Kosovo and Montenegro, and that because the business and technical collaboration with partners from those two republics goes back to an earlier date, and so it is also easier to establish new common interests in development. With respect to types of investment for which the resources of the 50-percent share of the fund and from other sources are being pooled, it is important to emphasize that of the 70 self-management accords 19 concern altogether new projects, and 51 reconstruction and modernization of existing facilities. But even so the number of workers who will be employed in them is imposing--5,061 (2,378 in Bosnia-Herzegovina, 1,461 in Kosovo, 998 in Macedonia and 224 in Montenegro).

It is also evident that the pooling of the portion of the resources of the fund on a self-management basis is going slowly in the agroindustrial complex although the potential is incomparably greater, especially in Montenegro and Macedonia, and indeed even in SAP Kosovo. Macedonian organizations are interested in having OUR's in the food manufacturing industry in Croatia pool their capital, especially to build plants for dehydrated fruit and vegetables, but processors in Croatia are interested in deliveries of the relevant raw materials. Nevertheless, common interests have been established in the supply of large centers of consumption like Zagreb, and broader activity in this sector of reproduction will soon be forthcoming.

The possibilities for improvement of livestock raising have been specifically stressed, especially the raising and processing of meat, poultry, beef cattle and sheep, in which help is expected from the respective republic and provincial administrative agencies. There is also a need for the banks to be more involved in faster development of the economically underdeveloped regions in the country, especially with respect to investments in sources of raw materials.

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## FOREIGN EXCHANGE RESULTS FROM CONSTRUCTION ENTERPRISES

Belgrade BORBA in Serbo-Croatian 23 Sep 82 p 8

[Excerpt] The following table shows that work performed by our construction enterprises abroad has resulted in higher foreign exchange earnings than tourism:

<u>Year</u>	<u>Tourism</u> <u>(in million dollars)</u>	<u>Index</u>	<u>Construction</u> <u>(in million dollars)</u>	<u>Index</u>
1976	802	100	824	102.7
1977	924	100	1,251	135.4
1978	949	100	1,118	117.8
1979	825	100	1,217	147.5
1980	1,115	"	1,668	149.6
1981	1,450	"	2,221	153.2
1982 (estimate)	1,100	"	2,579	234.4

CSO: 2800/24

## YUGOSLAVIA

## SHIPPING COSTS, EARNING FOR 1979-1981

Belgrade TRANSPORT in Serbo-Croatian No 7, Jul 82 p 18

[Excerpt] In the years 1979, 1980 and 1981 costs and obligations for shipping enterprises were 2 percent to 5 percent above total foreign exchange earnings. This is evident from the following table (figures in millions of dollars):

	<u>1979</u>	<u>1980</u>	<u>1981</u>
Total foreign exchange earnings	660.3	940.7	1011.1
Convertible foreign exchange earnings	437.0	601.8	603.8
Expenditure obligations (lowest 63.8%)	278.8	383.9	385.2
Costs	418.0	597.4	644.2
Difference	-36.5	-40.6	-18.3

CSO: 2800/24

## BRIEFS

SHIPBUILDING BUSINESS--The Yugoslav shipbuilding industry is successfully withstanding the market crisis. Yugoslavia is among the seven shipbuilding countries in the world which has the most business. At present Yugoslav shipyards have contracts to build 81 ships with a total carrying capacity of 1,462,000 tons. These include 27 for the convertible-currency market valued at \$660 million, 35 for the clearing-account area valued at \$890 million, and 19 for the domestic market valued at 16 billion dinars. Contracts have also been concluded for construction of two ships to be delivered in 1986, i.e., in the next 5-year plan. [Excerpt] [Belgrade BORBA in Serbo-Croatian 15 Sep 82 p 1]

MARITIME SHIPPING EARNINGS--This year has been one of the most difficult for maritime shipping since the war. Foreign exchange liquidity problems have shaken almost all shipping organizations, and their debts this year have reached \$100 million. Despite this, shippers in the first half of this year had net foreign exchange earnings of about \$159 million, but there is little hope that this will be achieved in the second half of the year. Our maritime fleet includes 169 ships older than 15 years, and 51 that are 25 years or older. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 22 Sep 82 p 2]

JANUARY-AUGUST ECONOMIC RESULTS--According to preliminary data of the Social Accounting Service, the Yugoslav economy in August had a revenue of 758.93 billion dinars, so that income for the January-August period totaled 5,924.2 billion dinars, a 30 percent increase over the same 1981 period. But at the same time costs of operation increased, amounting to a [January-August] total of 4,629.8 billion dinars (including 560.34 billion dinars in the month of August); this is a 43 percent increase over the same 1981 period. January-August outlays by organizations of associated labor outside the [production] economy increased by 53 percent over the same period last year and amounted to 109.2 billion dinars. January-August outlays for investment in fixed assets increased at a more moderate rate of 25 percent. There was also a more moderate increase--of 30 percent--in placement of bank funds which contributed to a decline of 4 percent in housing construction financed by banks. Opstina budgets showed a decline from 443 million dinars in July to 213 million dinars in August, an encouraging change; republic and provincial budgets also declined from 214 million dinars in July to 129 million dinars in August. Total expenditures allocated for budgets, however, continued to be large: opstina budgets increased 39 percent and republic and provincial budgets increased 37 percent [over the same 1981 period]. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 29 Sep 82 p 4]

KOPER PORT MODERNIZATION--The port of Koper is being intensively modernized as seen by the completion of the most modern container terminal in our country. By expanding the dock 200 meters, storage capacities have been increased to accommodate a total of 135,000 containers. In 1980 the turnover in this port exceeded 2 million tons. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 24 Sep 82 p 11]

INDUSTRIAL PRODUCTION--In the first 7 months of this year industrial production declined 1.3 percent below that of the same 1981 period; declines (in percentages) were as follows in the republics and provinces indicated: Bosnia-Hercegovina 1.0, Croatia 2.0, Serbia 1.0, Kosovo 6.0, and Vojvodina 6.0, while Montenegro, Macedonia, and Slovenia each reported 1 percent increases. Of the 35 industrial branches where production is statistically monitored, 14 reported lower production in this period compared to 1981. The most successful branches were beverage production (14 percent increase), iron production (3 percent increase), and nonmetals processing (7 percent increase). The greatest decline in production was in ferrous metallurgy, leather and fur production, and animal feed. [Excerpt] [Zagreb DANAS in Serbo-Croatian 14 Sep 82 p 8]

KOSOVO CONTRACTS WITH OTHER REPUBLICS--Up to now [i.e. in this 5-year plan period] the Kosovo economy has signed 22 agreements for associating labor and resources with organizations from other areas of the country. According to these agreements 11 billion dinars are to be pooled, including 5.06 billion dinars from the Fund of the Federation. If one considers that this five-year plan calls for the pooling of over 47.4 billion dinars, then progress made up to now has been slow. Thus, economic organizations in Croatia have pooled with Kosovo organizations 14.7 percent of the possible [planned] amount, those from Slovenia 11.09 percent, those from Bosnia-Hercegovina 6.39 percent, from Serbia 4.17 percent, and from Vojvodina 21.28 percent; while no agreements have yet been reached with organizations in Macedonia and Montenegro. Although the number of agreements is quite large, up to now few projects have been started. [Excerpt] [Pristina RILINDJA in Albanian 9 Oct 82 p 6]

AVERAGE INCOMES--In the January-June 1982 period personal incomes in Yugoslavia averaged 11,857 dinars [per month] with the following republic provincial breakdown and percentage of the country-wide average given in parentheses: Bosnia-Hercegovina 11,058 (93); Montenegro 10,767 (91); Croatia 13,062 (110); Macedonia 9,799 (83); Slovenia 13,508 (114); Serbia 11,345 (96); Kosovo 9,765 (82); and Vojvodina 11,796 (99). [Excerpt] [Pristina RILINDJA in Albanian 16 Oct 82 p 7]

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